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Report

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Bombay Stock Exchange Enquiry Committee

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LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY.

A Report to the Governor of Bombay in Council

We, the undersigned members of the Committee* appointed to enquire into the constitution, government, customs, practices, rules, regulations and methods of business of the Native Share and Stock Brokers' Association of Bombay, together with certain other matters to which our attention has been directed, and to formulate such definite proposals for the future constitution, control, direction, and regulation of the Association as may seem proper, have the honour to report as follows:

We had no authority to enforce the attendance of witnesses or the production of documents. We had, therefore, to rely on that evidence which was voluntarily placed before us, and it is possible that evidence both relevant and material to our enquiry has been withheld. But we acknowledge with pleasure the assistance afforded us by the President and members of the Native Share and Stock Brokers' Association, who allowed us access to the records of the Association; by the various commercial associations of Bombay and more particularly the Indian Merchants' Chamber; by the Stock Exchanges of Calcutta and Madras who sent representatives and by those gentlemen who accepted the invitations to give evidence which were extended to them. We are also indebted to two of the Judges of the High Court of Judicature at Bombay for a written representation of their views.

We find that the Native Share and Stock Brokers' Association of Bombay is a voluntary association of those who deal in stocks and shares and securities of a like nature. The present members number more than 400. The object of this Association appears to be the protection of the interests of the members and the provision of a market place wherein the members of the Association and through them, the public, may buy and sell stocks, shares and like securities. Rules and regulations have been drawn up from time to time for the guidance of the members of the Association and a building has been acquired as a market place in Dalal Street.

We find that for many years subsequent to its establishment in 1887 the Association conducted the business of what is in effect a great public market in securities not only to the advantage of its members but to the advantage of the public. The advantage accruing to the public from the existence of a well ordered market in securities needs no comment. But in recent years, the management of the affairs of the Association and the methods of transacting business in the premises under the Association's control have given rise to much adverse criticism and complaint.

We think in some small part this criticism to be misconceived and this complaint unjustified. It is the criticism and complaint of those who, without justification and without knowledge, have speculated heavily and have lost. Such criticism and complaint have been heard before in other countries and have of late years become more insistent in consequence of that reckless speculation which seems to follow in the train of war. Thus some who blame the Association should more justly blame themselves. But for the rest we think this criticism and complaint

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* The Committee was constituted by Government Resolution No. 2628, in the Finance Department, dated 14th September 1923. The terms of reference were "to enquire into the constitution, government, customs, practices, rules, regulations and methods of business of the Native Share and Stock Brokers' Association of Bombay and to investigate any such complaints of the public and to make any such enquiries with reference to any of the aforesaid matters or any other matter appertaining to the aforesaid Association as the Committee may deem proper and thereafter with a view to protect the investing public against the interested or irregular control of business, to formulate such definite proposals for the future constitution, control, direction and regulation of the aforesaid Association as the Committee may deem proper."

The members of the Committee were:—

Sir Wilfrid Atlay, *Chairman,*
Sir Fazulbhoy Currimbhoy,
Sir Purshotamdas Thakurdas,
Mr. R. Lindsay,
Captain E. V. Sassoon,
Mr. Bhulabhai J. Desai,
Mr. Pherozeshah M. Dalal, with
Mr. G. Davis, I.C.S. as *Secretary.*
Mr. Bhulabhai J. Desai submits a minority report

to be well founded. A government and regulations which sufficed for the needs of a quiet and restricted market have sufficed no longer for the needs of a market in which business has greatly increased and which has been subject to the quickening influence of accumulating wealth and the disturbing influence of war. Yet there is in the frequent fixing of prices by the Committee of Management a more serious cause of criticism and complaint, and the method devised by that Committee to combat corners, an undoubted evil in any market, has encouraged rather than checked their growth. We also think it is a matter of regret that the Association did not recognise in the system and practice of sub-brokers, as established in Bombay, a grave danger to the public.

The unscrupulous have found in a disordered market unusual opportunities of gain. It is to us clear that order and confidence must be restored in a market where order and confidence are essential. We do not think that this object can be achieved by the proposal most often made to us in the course of our enquiry that there should be constituted a controlling authority on which the various commercial associations in Bombay should be represented. We have in the body of our report made such recommendations as we think proper with respect to the present constitution, government, rules and regulations of the Association. We find, however, that the fundamental cause of all embarrassment in the affairs of the Association is the interference by the Association with the course of free trading in the market.

We believe that the members of the Association will recognise that though this course of action may be of immediate profit to a few, it must in the end result in the destruction of the market; and that they will in consequence divest themselves of a power which is liable to so great abuse. But we have no hesitation in affirming that if, after the guidance afforded to the Association by this report, this is not done, then, reluctant as we are to recommend the intervention of outside authority in the affairs of business men, we consider it will be the duty of Government in the interests of the community at large, by means of the prohibition of all forward trading in stocks and shares, to prevent the conversion of legitimate business into a gamble in differences.

The stock and share market is to-day a vital factor in the economic life of progressive nations. Order and confidence are essential elements in its continued prosperity and growth.

THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION OF BOMBAY

History of the Association

By an indenture dated the 3rd of December 1887 the Native Share and Stock Brokers' Association of Bombay was formally constituted. It is recited in this indenture that its formal constitution followed a resolution of certain Bombay brokers on the 9th day of July 1875 " to form an association for protecting the character, status and interest of Native share and stock brokers and for providing a hall or building for the use of the members of the Association ", which resolution they had hitherto carried into effect by associating informally and by becoming possessed of certain monies. It is further recited in this indenture that on the 5th day of February 1887 at a meeting held in the Brokers' Hall, it was resolved that the three parties to that indenture should respectively execute the Deed of Association, constitute the first Managing Committee and be appointed the first trustees. The Native Share and Stock Brokers' Association of Bombay was thus formally established, and the Articles of Association set out in this indenture to-day form the basis of their government. We are informed that between the years 1840 and 1850 there were in Bombay no more than 6 brokers in stocks and shares recognised by the banks and merchants. This number sufficed for the limited business then existing in the shares of banks and presses, and till the year 1855 the meeting place of brokers was on the Cotton Green where Elphinstone Circle is now situate. By the year 1860 their number had increased to 60, of whom the leader was one Shet Premchand Roychand, who gave to the stock and share brokers of Bombay a standing and importance not hitherto achieved. For a time the brokers met between the old Fort walls and the old Mercantile Bank where stand to-day the shops of Messrs. Treacher and Messrs. Dunnett. Their number would perhaps have increased but slowly had not the American Civil War of 1861 and the demand for cotton thereby arising brought into Bombay vast wealth. For this wealth an outlet was found in the promotion of many worthless and fantastic adventures. The brokers under their acknowledged leader Shet Premchand Roychand became possessed of great influence, authority and wealth. They were looked on as sure guides to fortune and they numbered not less than 200, not more than 250. They obstructed without let or hindrance the streets, the shops, the banks. But the end of the American Civil War brought disillusionment and many failures and the brokers decreased in number and in popularity. Finally they found in Dalal Street a place where they could conveniently assemble and at the place where they assembled now stands the office of the Advocate of India. They again increased in number. In 1877 they numbered 318, and we are informed that an average of 300 has been ever since maintained. And in Dalal Street nearly a quarter of a century after they had first there assembled they acquired for their use their present building. A list of registered members of the Association, dated the 20th of May 1921, published by the Association is, we understand, the latest published list, and this list shows their number as 478; but 50 of these are shown as having either defaulted or having died. We are, in fact, informed that the members of the Association who now actively pursue their calling of stock and share brokers in Bombay number not less than 225, not more than 250. The majority now, as in 1877, are Gujarati Hindus and Parsis, and the minutes of their proceedings are still kept in Gujarati.

For long the Association was fortunate in those who filled the office of President. For 20 years Shet Chunilal Motilal was the President of the Association. For more than 20 years Sir Shapurji Broacha, as President, exercised an authority which was not disputed though with increasing age his power and authority declined. On his death in 1920 he was succeeded by Mr. Kikabhai Premchand, the son of Shet Premchand Roychand, the leading broker, and the great financier of more than 60 years before. But in 1922 he resigned rather than be associated with a policy of which he disapproved and we would here remark that this Committee is greatly indebted to Mr. Kikabhai Premchand for a frank statement of views which look beyond immediate interests. For some months the office of President was vacant. Finally Mr. K. R. P. Shroff became the President of the Association, an office which he still holds; and we would here remark that he has throughout the course of this enquiry worked hard and loyally for what he believes to be the best interests of the Association.

For the Native Share and Stock Brokers' Association of Bombay the years which immediately preceded and followed the termination of the War have been troubled and unquiet and some have seen in the speculation that was rife in the City of Bombay a parallel with the years of the American Civil War. Rising prices attracted the ignorant to speculation. A corner in the market, once an event of rare occurrence, became rare no longer. The manipulation of the market was in practised hands, and many saw in a few months the dissipation of the savings of many years. As the result of a resolution in the Legislative Council on the 6th October 1922 this Committee was appointed.

The Association's funds

It is recited in the Deed of Trust that at the time of its constitution the Association was in possession of Rs. 38,000 made up of the sale proceeds of 25 shares in the Victoria Manufacturing Company, Limited, which were given to the Association by Sir Dinshaw Manockjee Petit in consideration of the services rendered by certain members of the Association in the promotion of that Company; of Rs. 7,000 collected by members of the Association and of a further sum given by Sir Dinshaw Manockjee Petit on condition that all the monies aforesaid should be vested in trustees and applied for the purpose of acquiring for the use of the Association a suitable building. This sum of Rs. 38,000 was accordingly vested in trustees by a deed, dated the 3rd of December 1887. The rule of the Association forbidding the distribution of surplus income by way of dividend among the members, who are also owners of all the assets of the Association, is sound in principle. The admission fees of new members and judicious investment has added to the funds which now amount to Rs. 23,00,000. This, however, includes the value of land and buildings.

The Association's Buildings

The present building was acquired for Rs. 1,00,000, and was opened by Mr. J. M. Maclean, M.P., in January, 1899. This building no longer sufficing for the business of a growing market, in April 1920 an adjoining building was purchased for Rs. 10,30,000. But this purchase was made during the boom years and this price illustrates well the change in values, for in 1913 this building had been sold for Rs. 73,000. Money was in part obtained for this purchase by the admission of new members at a fee of Rs. 40,000, but with the decline in business admission fees decreased, and the Association have been unable to proceed with the new building for which plans have been prepared. It is generally admitted that in the present building space is limited and that owing to the number of entrances it is difficult to exclude the public. The construction of a new building is a matter which primarily concerns the members of the Association, but we would suggest that in the new building the public might be accommodated in a gallery and that the location of offices for brokers in the building might well be made a source of very substantial income to the Association and at the same time serve the interests of both brokers and their clients. It should be so arranged that the public can see from the gallery allotted to their use the prices prevailing in the market.

We understand that opposite the Association's present building there is a vacant site in the possession of the Municipality. We recommend to the Association the desirability of acquiring this site and we would suggest to the Municipality that when disposing of this site the first refusal be given to the Association.

Aims and objects of the Association

The aims and objects of the Association are set out in Article XV of the Articles of Association and the primary aims and objects of the Association are set out in the first clause. These are to support and protect the character, status and interest of brokers dealing in stocks and shares and other like securities in Bombay; to promote honourable practice; to suppress malpractices; to settle disputes among brokers; to decide all questions of usage and courtesy in conducting brokerage business. The remaining aims and objects set out in this Article are subsidiary to these. They relate to the erection and maintenance of a Brokers' Hall to be called for ever "The Sir Dinshaw Petit Native Brokers' Exchange Hall"; to the borrowing of money; to the acquisition and disposal of property for the use and purpose of the Association. There is in this Article of Association no express reference to the protection of the interests of the public which we are assured by the Association is one of their chief cares. However, there admittedly exists at present no defined procedure by which a complaint from a member of the public againt a member of the Association may be enquired into. We would recommend therefore that there may be incorporated in the aims and objects of the Association a definite recognition of this duty which we believe the Association recognises is imposed upon it by the fact that it controls the only large market for securities in Bombay, and which duty we understand the Assoication is ready to perform.

Admission to membership

By Article II of the Articles of Association none but natives of India may be members of the Association, though the rule has now been altered to admit to membership a British subject who has himself or whose family has resided in the Bombay Presidency for ten years. It is for the Association to determine what period of residence is considered necessary to qualify for admission to membership of the Association and we desire to recommend nothing which will interfere with its essentially Indian character. But we think that the Native Share and Stock Brokers' Association should now be called the City of Bombay Stock Exchange.

Admission to membership of the Association is by payment either to the Association itself, to the Defaulters' Committee, who dispose of the assets of the defaulter including his right of membership, or to the heirs of a deceased member, and the card or right of membership passes by inheritance from father to son. We understand that the sentiment which looked on the value of the card as a family asset or insurance still prevails and that a member in his lifetime cannot sell his card, though a proposed rule provides that if a member be of 10 years' standing he can apply for the transfer of his card to his nominee.

Admission to membership is preceded by an enquiry by the Committee of Management into the character and status of the applicant. By draft rules of the Association a candidate for admission is required to be recommended by two members of the Association of five years' standing: his application has to be posted 15 days prior to his election and it is necessary that three-fourths of the Committee of Management with a quorum of 8 should approve the election of the candidate. It has been suggested to us that a member before admission should furnish substantial security, and it is argued that the fluctuating value of the card or right to membership as a security is inadequate. The amount of the security to be furnished by a member of the Association is, however, primarily the concern of his fellow members with whom he deals as principal. In view of the vast increase of business and the violent fluctuations in prices which marked the boom years, it cannot be said that defaults were ever such as to show that the enquiry into the status and character which is said to precede the admission to membership was conducted by the Committee of Management in a perfunctory or careless manner. We, therefore, suggest no alteration in the draft rules of the Association relating to the admission of members. We emphasise, only, the necessity that those rules relating to insolvency or compounding with creditors both prior to and after admission should be enforced with strictness. We would also suggest to the Association that they might consider whethe rspecial facilities should not be given to the admission to membership of authorised clerks whose previous experience on the Exchange might be in itself an added qualification.

The restrictions imposed upon the transfer of a card undoubtedly help to maintain the market value which now stands at Rs. 15,000, though it is suggested that membership is thus unduly restricted and that were membership less restricted it would be to the advantage of the public. The business available for the present members, however, does not seem sufficient to provide a living for more than half the members, and we understand that certain members of the Association combine the business of broker and dealer in stocks and shares with other occupations, and this to some is a cause of grievance. It is undoubtedly desirable that a member of the Association should be first and last a broker or dealer in stocks and shares. But we imagine that increasing business will make increasing demands upon the time of those who follow this and other occupations. And we would point out that had this principle of a single occupation been carried into practice, the late Sir Shapurji Broacha would have had to abandon his interests either in or outside the Exchange. And this principle is not compatible with the demand made by some that representatives of other trades should be asked to assist in the management of the affairs of the Association. We see the force of the contention that work which is a man's sole care and which receives his whole attention is likely to be better done, and we sympathise with those who, remaining faithful to the one occupation when times are bad, resent the competition of those who come upon the Exchange only when times are good. But we presume that those who follow only the one occupation will inspire in clients greater confidence and trust and in increasing business will find their due reward. We think, however, that duality of occupation should receive no encouragement from those who have influence and authority in the affairs of the Association and that an enhanced subscription might eliminate those members who regard the Exchange as an adjunct to, rather than their chief occupation.

Admission Fees

The admission fee, which is the price of the card or right of membership, was originally Rs. 51. It was afterwards raised to Rs. 1,000; and cards were sold by the Association in 1909 for Rs. 2,500 and in 1917 for Rs. 7,000; and in 1920 as much as Rs. 40,000 was paid to the Association for the right of admission to the Brokers' Hall. Moreover, a list appended to this report shows that the market price of cards within the last 15 years varied from Rs. 1,800 to Rs. 48,000. The subscription remains to-day, as in the beginning Rs. 5, and it appears that at times even this small subscription is in arrears. We think that the Association might consider the advisability of enhancing the subscription which is unduly small, and we think that in any case regular payment should be enforced, and should be made a test of the desire of a member to remain in the Association.

Suspension and expulsion of members

Provision is made in the draft rules and regulations proposed by the Association for the expulsion or suspension of members and, however repugnant may be the exercise of these powers, a high average of conduct in great Exchanges where these rules are rigidly enforced is their justification. We think this power should be exercised by the Committee of Management and we do not think it should be competent to the general body to reconsider or rescind this decision. It has been brought to our notice that misconduct characterised as grave has, on occasions, been punished with undue leniency, and though we understand the kindly feeling which underlies such action, fraud appears to us to call for condign punishment.

Constitution of the Association

The Association is constituted of its members in general meeting assembled; of a Committee of Management and subsidiary committees; and of a President and other office bearers.

The members of the Association in general meeting assembled

The powers of the General Body are set out in Article XXVI of the Articles of Association and include the power to vary all the original Articles of Association save that one which provides that only members of the native community of the Bombay Presidency shall be trustees and members of the Committee of Management; the power of passing rules and regulations for the regulating and better governing of the Association, its members and its affairs; for the admission of members; for the election of the Committee of Management; for the control of the funds and property of the Association and for defining the duties of its officers, and for generally carrying out the purposes and objects of the Association.

General Meetings

We recommend in future that a special general meeting be convened in December for the election of the Committee of Management and for the election of the office bearers for the succeeding year. We also recommend that the annual general meeting for the adoption of the report of the preceding year should be held not later than the month of May, and that the conditions of advertisement laid down in Article XXIV of the Articles of Association relating to the convening of general meetings should be observed.

It appears to be the desire of the Association that the General Body shall elect the President and other office bearers, and should have the right of election to casual vacancies in these offices. We understand that this is in accordance with local custom.

It also appears to be the desire of the General Body to have the right to require the Committee of Management to convene a general meeting on the requisition of 75 members, and in default for any 5 of the requisitionists to exercise this power. We trust that occasion for the exercise of this power will not frequently arise.

The Committee of Management

The members of the Association in general meeting assembled elect the Committee of Management.

The powers of the Committee of Management are set out in Article XXI of the Articles of Association and, subject to the control of the General Body, there is vested in this Committee the general management and control of the Association's affairs; the management and control of its income and property; the power of appointing its officers and servants, and of framing such by-laws and rules as may from time to time be necessary for the guidance of members, and the power generally to do all such acts as may appear necessary for carrying into operation and effect the objects and purposes of the Association.

By Articles XVI, XVIII and XIX of the Articles of Association, the Committee of Management was to consist of not less than 12 members, of whom 3 were to retire in each successive year at the annual general meeting, and the vacancies thus created were to be filled by election by members of the Association; and by Article XX casual vacancies in the Committee of Management were to be filled by the Committee by nomination from members of the Association.

By a resolution of the General Body of March, 1920, the membership of the Managing Committee was increased from 12 to 16, and it was resolved that the Committee was to hold office to the end of December, 1921. This resolution followed a period of some confusion in the affairs of the Association, as a result of which a provisional Committee of Management of 24 was constituted, which held office from the 12th of December, 1919, for a period of 3 months. The Committee of Management elected in March, 1920, was succeeded by a new committee elected in November, 1921, for 2 years, but this committee retired before the expiry of its term of office and a new committee was elected on the 5th of April, 1923, to hold office till December 31st of the following year. The uncertainty of the term of office herein appearing seems to us of necessity to react unfavourably on the management of the Association, and we recommend that in future the Committee of Management be elected annually; that all the members of the Committee retire annually and be eligible for re-election. We see nothing unreasonable in the present rules that casual vacancies in the Committee of Management should be filled by election by the members of the Association or that a member of the Committee of Management should be a member of the Association of at least 5 years' standing.

The powers of the Committee of Management and of the General Body

We think that the powers of the General Body and of the Committee of Management should be clearly defined and clearly understood, when occasion for the resignation of the Committee of Management owing to conflict in policy would be unlikely to arise. We think it should be made clear that it is for the General Body to lay down the policy of the Association in all important matters and for the Committee of Management to carry this policy into effect. But the Committee of Management once elected must be respected and trusted by the General Body, and its decision, when in accord with the general policy of the Association, should remain unchallenged and undisturbed. The frequent resignation of the members of the Committee which is recorded in the minutes of the Association for the last four years, and the conflict in policy and management thereby indicated, must seriously militate against the best interests of the

Association. And we cannot but deplore that the General Body should at any time have made a meeting of the Committee of Management an occasion for disturbance. We think that it might be desirable that the Committee of Management should retain that name which is given in the Articles of Association and which appears now to have been replaced by the designation of the Board of Directors. This designation may suggest an unfortunate analogy to a joint stock company, and its constant repetition may tend to obscure the real purpose and functions of the committee.

Sub-Committees

As at present constituted, there are, besides the Committee of Management, an *Insaf* or Arbitration Committee and a Defaulters' Committee. There is also a Corner Committee constituted to discover some solution of a problem which appears to the Association to be insoluble. In the draft rules of the Association four committees are contemplated. We suggest that the Association leave to the arbitration of two members of the Association chosen from a panel of arbitrators nominated by the Committee of Management disputes between members, and we think that such other committees as are necessary should be constituted of sub-committees of the Committee of Management. We think that all needs will be met by the constitution of one sub-committee to deal with the affairs of defaulters and of one sub-committee to deal with the admission of new companies to quotation. We consider the Committee of Management should itself enquire into any complaint from a member of the public, who should be required to sign the usual declaration that he will respect the decision of the Committee. As the Corner Committee was appointed on the 6th of March, 1922, and has not yet reported, there seems no purpose in its continuance.

The President and officers of the Association

By Article XVI of the Articles of Association the Committee of Management was to elect from its own body the President, Secretary, Treasurer and Accountant, who were likewise the office bearers of the Association. We would suggest, however, that the President should hold office for one year only; that he should be elected at the annual general meeting, and in accordance with the general desire, he should be elected by the General Body. We think that there should also be elected annually a Vice-President who can take the place of the President in time of need. It appears to us unfortunate that for a period of some months the office of President of the Association should have remained unfilled. It further appears to us most expedient that the Association should employ a paid Secretary of standing and ability sufficient to command a salary of Rs. 1,000 a month. For we think it quite impossible that a private member of the Association, however diligent, can spare from the time necessary for him to earn his living sufficient time for the adequate fulfilment of the duties which must devolve upon him as Secretary and as chief executive officer of the Association. We think that if this suggestion be adopted, certain defects now apparent in the management of the Association will disappear. We understand that the Association now engages the services of a professional accountant for the purpose of the audit of accounts which were formerly audited by two members of the Association. We think the present practice should be continued.

Trustees

By a Deed of Trust executed in accordance with the Articles of Association, 4 members of the Association were appointed trustees of the property of the Association, and members of the Association are appointed trustees by the General Body as occasion from time to time requires.

Partnership

It appears, according to present practice, a member of the Association can enter into partnership with a non-member. We see no objection to this practice providing the non-member is not admitted to the Exchange but those partnerships which appear sometimes to exist between brokers and sub-brokers who do business upon the floor of the Exchange appear to us in defiance of existing rules. We think that the card of membership should not be deemed to include the sons, grandsons and even nephews of any member. All partnerships should be registered in the office of the Association and should be deemed subsisting till written notice of their dissolution has been given.

Rules and Regulations

We found the rules and regulations of the Association most difficult to ascertain. The present rules are to be found in a booklet, a reprint in 1923 of rules in force in 1901; in another booklet bearing the date of March 1st, 1921, and which purports to present "in a consolidated form the rules and regulations generally applicable to members and passed by the Board from time to time between January 1st, 1915, and February 28th, 1921"; while other rules are to be found printed on loose sheets of paper or lie unprinted in the minutes of the Association. We also by a chance reference in the printed rules ascertained that there is in the possession of the Association a copy of draft rules which it was proposed to pass some years ago and some of which have since been adopted as customs of the Association. We think that it must be most difficult in practice to enforce rules the existence of which it is so difficult to ascertain. We also think it must be difficult for a new member to fulfil the condition precedent to his admission that he should have read the rules and regulations of the Association.

There are contained in two printed books supplied to us the draft rules and regulations of the Association which have not yet been passed. It appears from the records of the Association that a committee to draft new rules and regulations was appointed in February, 1919. Yet in the preface to the second book dated 15th September, 1922, the Honorary Treasurer and Secretary explains that he circulates a draft of rules as "he has been requested by the Board to complete the work left undone by the Committee". "They meet, they discuss ever lastingly, they come to no decision." We recognise the fact that in the past few years the Association has been labouring under unusual difficulties due we believe in a great measure to that mistaken policy of fixing prices with which we shall hereafter deal; but so long as the policy and the rules which give it effect remain, so long we do not see how that general consensus of opinion which appears necessary to pass the rules can come into existence. But it is necessary in the public interest that the rules and regulations of a great market in securities should be clearly laid down, should be easily ascertainable and should be strictly enforced.

There are in the draft rules and regulations of the Association many excellent rules and regulations but they are of no value if they are not passed and they are of no value when, if passed, they are not enforced. And we are constrained to remark that it appears to us in the past that there has been on the one hand laxity in enforcing the present rules and on the other hand a neglect of their observance on the part of certain members of the Association, which is to be deplored.

Breach of Rules

In the present rules of the Association it is provided that no person shall be allowed to enter and carry on business in the Hall without a card. Yet it is on record that twenty-eight persons were found carrying on business in the Hall and that they were given time to liquidate their business. It is explained that they had entered into transactions with members of the Association and that their immediate expulsion would have entailed loss upon those members, while those in authority were influenced by feelings of consideration for those who had thus to earn their daily bread. We consider that such feelings were misplaced and that the intruders should have been summarily expelled and the members of the Association who had done business with them should have been severely punished.

Moreover it appears that the Exchange has been closed in defiance of the rules. The records of two general meetings of the Association held in March and July 1919 suggest that it was the brokers' clerks who had arrogated to themselves the right to close the Exchange at pleasure. We cannot contemplate such a condition of affairs without regret.

By a resolution of the Board of September 18th, 1920, to take effect from October 1st, 1920, and again by rules to come into force on 1st January, 1921, authorised clerks were to wear badges, but it appears that this rule has been persistently disobeyed. The lack of discipline hereby indicated appears to us regrettable.

We also think it undesirable that business should be transacted at meetings when there is no quorum.

Method of passing rules and regulations

We understand that there are at present two methods by which rules are passed. Rules may be passed by the Committee of Management and they are then posted, and may be objected to within fifteen days and a meeting of the General Body convened, or rules may be passed by the General Body on their own motion. Rules and regulations are passed in London by the Committee, and we think that the present condition of the rules of the Association and the fact that the new rules, though printed and published, are not yet passed, illustrates the difficulty and the delay experienced when rules and regulations are to be passed by the General Body. We do not however desire to recommend a procedure which is against the general feeling of the members as a whole, but we suggest that a convention should be established whereby it is recognised that the rules relating to policy should be passed by the General Body and that rules to carry this policy into effect should be passed by the Committee; and we think that rules passed by the Committee in conformity with the policy laid down by the General Body should remain unchallenged and undisturbed. We think that this was the intention and purpose of Articles XXI and XXVI of the Articles of Association. The continued existence of harmonious relations between the General Body and the Committee of Management, so essential to the Association, might then be deemed reasonably assured.

Rules recommended to the Association for adoption

We append to this report rules and regulations which we recommend to the Association for adoption and which are largely based on their own draft rules. We would emphasise the convenience and necessity of an index to any published rules.

Rules to be available to the public

We consider it desirable in the public interest that the rules should be available to the public in an English translation on the payment of one rupee.

Admission of the public to the Exchange

We also think that it is in the interest of the public and in the interest of the Association that the resolutions passed from time to time to exclude the public from all but that part of the Exchange allotted to their use should be enforced with strictness, and in view of the limited accommodation in the present building we think that the public should be definitely excluded from the Exchange. We are aware that there is in Bombay as in other cities where Exchanges exist a feeling that the public should be admitted, but we imagine that no Exchange has shown greater consideration to the public in this matter than has the Bombay Stock Exchange. We think that in Bombay the public in this matter has been shown undue consideration. We are informed that in boom times the public crowd the building; that minors do business upon the floor of the Exchange; that clients of brokers themselves do business and that access is not denied to hawkers, beggars and pickpockets. It appears that the Exchange has many entrances. We think they should be closed to all but members and to their clerks wearing a badge by which they can be distinguished till such time as in a new building a gallery can be provided for the accommodation of the public. It is for the members of the public to seek out and employ honest brokers over whom it will be unnecessary in the building of the Exchange itself to exercise any kind of supervision. We think it is the failure of the Association to enforce the rules which were intended to preserve the Exchange for the business of its members which has facilitated the activities of sub-brokers with which we shall hereafter deal.

We think the state of things disclosed by our enquiry shows that it is in the public interest that the public should be definitely excluded from the present building.

Complaints of the Public

We think that it is incumbent upon the Association at once to devise some procedure whereby they can take cognizance of a complaint made by a member of the public against a member of the Association and, if necessary, exercise over the members of the Association a disciplinary authority which, we are informed, at present would be questioned. It is one of the most important duties of the governing body of an Exchange to demand on behalf of the public from its members that same high standard of conduct which should be demanded by one broker from another. We think in this respect the present rules of the Association are defective.

Holidays

A public complaint which has come prominently to our notice is the great number of days in the year on which the Exchange is closed. We give in an appendix to this report a list of the official holidays in 1923 as published by the Association. This list shows that the Exchange is closed 16 days for religious holidays; it is closed on bank holidays; and from 6 to 12 days in honour of the dead. It is closed each month four days for settlement and for the same reason for four days in each month it opens only from 12 to 2. We understand that the official working hours are from 12 to 3 on week days, except Saturday, when the Exchange is open from 12 to 2. In the hot weather for 6 weeks in May and June the Exchange opens from 12 to 2. It would appear therefore that for 155 days, including Sundays, the Exchange is closed completely; for 144 days, including Saturdays, the Exchange opens for but two hours; and that for 66 days only throughout the year is the Exchange open the whole of a short working day. Comment is unnecessary.

Religious Holidays

We realise the difficulties imposed upon the Association by the fact that the members of the Association are also members of different religions and require for religious observances different days. We desire to make no recommendation which will conflict with religious sentiment and we think that the preservation of that spirit of religious tolerance which is so proud a characteristic of this country is more than adequate compensation for any material loss or inconvenience thereby occasioned. Hindus, Muhammadans, Parsis, Jews and Jains all desire that on the days on which religious observance prevents their personal attendance on the Exchange no business should be transacted so that no man should suffer loss by reason of his faihful adherance to the observances of his religion. So soon as the Exchange exceeds, in favour of the members of any one religion, even by one day, the list of gazetted holidays, so soon will members of other religions demand from their fellow members a like consideration. We think it must be left to the Association to reconcile the conflicting demands of the public and of religion.

Closing of the Exchange for settlement

The work of settlement in Bombay lasts eight days and, though prolonged, is finally completed. We give in an appendix to this report a published notice of the Association relating to their settlement which shows the various stages. India is a country of great distances and we realise the limitations imposed upon the Association in their settlement by local conditions. The facilities afforded in India by telephone, telegraph and the post are limited. We understand also, that the broker's staff is at times so small that the work of settlement and of current business, should the Exchange remain open during the work of settlement, could not be satisfactorily performed. And it is also suggested that the business available is not such as to necessitate the opening of the Exchange throughout the settlement.

There is in principle no reason why the Exchange should be closed either for cash or forward business during settlement and we do not think that the practice of keeping the Exchange closed after the fixing of making-up prices till the last day of the settlement to avoid fluctuations in prices, and which is peculiar to this Exchange, affords adequate compensation for the loss of business facilities thereby occasioned. And we think that the Association should bear in mind that it is most desirable that an Exchange should be open both for cash and forward business during settlement and should, whenever possible, shape their policy towards this end. And we would recommend to the consideration of the Association that system of settlement outlined by Mr. Jamnadas Morarji, a gentleman who has for 27 years been closely associated with the Exchange, and which reduces to one full day and five half days the time during which the Exchange is closed for settlement. We give in an appendix the necessary extracts from the evidence of this gentleman who designed and carried to completion the present system of clearing. But we recognise the force in the contention of the Association that in the carrying out of any such change the co-operation of the banks and of the public is essential and that without such co-operation no change in the present system of settlement is possible. We also recognise that local practice results from local conditions and is generally appropriate to them. But the inconvenience accruing to the public would be considerably mitigated if the Association publish at the beginning of the year the days on which it will close for settlement and adhere strictly to those days throughout the year.

Closing of the Exchange without authority

We gather also that a more serious cause of complaint is the closing of the Exchange, when such closing is not warranted either by religious observance or by the work of settlement; and we are bound to infer from the minutes of the Association that the closing of the Exchange by brokers' clerks had at one time become a matter of just grievance not only to the public but to certain members of the Exchange. We think that this practice calls for the strongest condemnation and that any such action on the part of any clerk should be punished with expulsion. Those who have no business to occupy them on the Exchange are free at all times to depart but the Exchange should remain open.

Closing on the death of a Member

Another cause of public complaint is the closing of the Exchange on the death of a member of the Association. This custom, worthy in itself, could not have formed a just ground of complaint when the members of the Association were few in number and the market was small. But with the growth in number of the members of the Association the closing of the Exchange on this account does appear to us to form a just ground of public complaint. And though we respect the sentiment which prompts such action it does not appear compatible with changed conditions, and we suggest that when a member of the Association dies the closing of the Exchange for 30 minutes should be an adequate tribute of respect.

Hours of work

It appears to us that the hours of work on the Exchange could be increased both to the advantage of the members of the Association and of the public. We think that the market should be open for 4 hours a day throughout the year : from 12 to 4 or from 11-30 to 4-30 with an hour's interval for lunch. Longer hours would mitigate that rush of work which now, we understand, leaves certain members and their clerks prostrate with excitement and fatigue, for the work would be spread over a longer period of time. It would also enable brokers to visit their clients and return to execute their orders on an Exchange, which would still be open.

The Bombay Broker

There is in Bombay no such distinction as exists in London between the broker and the dealer and a proposal of some importance made to us in the course of our enquiry is that the members of the Association should be divided into the two classes of jobbers and brokers. Though it is generally admitted that this change is desirable, it is generally admitted that at present it would not be feasible in practice and we agree. This system exists in the London Stock Exchange alone, and though it offers such great facilities in business that orders are for this reason at times sent to London from the provinces or the Continent for execution, it is a system which is possible only where the market is very large. There is at present not sufficient business in Bombay, though we strongly recommend this change should the Bombay market ever grow sufficiently to make this division feasible.

We recognise, however, the force in the argument that a broker's client should know if the broker through whom he buys or sells, acts as a broker only, and for this purpose we think that each member of the Association should, at the beginning of every year, be called upon to declare whether he intends throughout the year to act solely as a broker or a dealer or in a dual capacity. And we think that a list of members so distinguished should be posted outside the Exchange and in the arcades of the Imperial Bank, and should be available to the public on a trifling payment. It will then be open to a member of the public, if he desires, to resort only to those members who do not deal.

Clerks, authorised and unauthorised

There is in the London Stock Exchange and in all Exchanges of repute a clearly marked distinction between authorised and unauthorised clerks. An authorised clerk is authorised to act for his employer and when acting within the scope of his authority binds his employer as fully as if his employer had himself in person made the bargain. The unauthorised clerk has no such authority and is not admitted into the building for the purpose of transacting business. Authorised clerks should be admitted to the register of authorised clerks only on the written application of their employers and on the written permission of the Committee of Management, and their number should be limited by rules. We understand that members of the Association may employ three authorised clerks, while firms may employ five. We understand that the card which admits to membership of the Association is sometimes considered to entitle relatives of the members to admission to the Exchange. We think that the card should admit only the holder, and, subject to the approval of the Committee of Management, one member of his family, and even he should be registered as an authorised clerk though not included in the number of authorised clerks permitted to any member. We understand that this proposal conforms with what should be the present practice. A list of the names of authorised clerks and of their employers should be posted in the Exchange. In view of the circumstances disclosed by our enquiry we think that it is desirable that clerks, whether authorised or unauthorised, should be distinguished by a badge which should bear on it the number assigned to their employer in the clearing. The badges of authorised and unauthorised clerks should be clearly distinguished. We think, also, that it would be desirable if an annual fee were charged for all authorised clerks for the privilege which is enjoyed of doing business on the Exchange, and that in return facilities should be extended to authorised clerks to become members of the Association.

The Broker and his Client

There is in the present building accommodation for the offices of but few brokers ; and we understand that in certain cases brokers have no office accommodation but that which is afforded to them by the table in the Exchange at which they work. We suggest that in all lists of members which may be published in future the place of business, as well as the name of the broker, should be given, and that the list should be posted prominently outside the Exchange and in the arcades of the Imperial Bank.

Members of the Association deal in the market among themselves as principals but they are the agents of their clients and must be deemed bound by those rules of law which are appliable to such relationship. If, therefore, a broker does business for a client not as agent but as principal, he should disclose that fact and he should make no *gala* or secret profit. He must deal for his client at the best price he can obtain and he must act always in the best interests of his client. We have been credibly informed that this is not always done.

Emphasis has been laid in the evidence before us upon the necessity of a uniform form of contract note. We are informed that at times it happens that the broker gives to his client a mere pencil memorandum of the contract. We think that the necessity of the use of a uniform contract note is made out beyond all doubt and we think that the use of such a note should be enforced by the Association upon all its members. In this contract note it should be made clear whether a broker acts as agent or sells to his client stock in his possession when he should charge no commission. It should also be made clear whether the contract is or is not a nett contract and if the latter, the brokerage charged should be shown on the contract note. We think, also, that the rates of brokerage should be clearly laid down by the Association and should be made available to the members of the public at a trifling cost. We have been supplied with a list of brokerage printed in 1920. This gives the price of brokerage per share; but shares fluctuate in value. By a resolution of the Committee of Management of October, 1920, the rates of brokerage were left to mutual arrangement between a broker and his client. It appears to some desirable to fix a maximum brokerage; to others a minimum. But the minimum brokerage in practice tends to become the maximum if this minimum is known, and we think that the members of the Association are entitled to some protection against undercutting in their rates. In Rule 250 of the draft rules of the Association, an *ad valorem* rate is given. We think that the rates so fixed are on rather a generous scale. But if the rate is so high as to discourage custom, it will be in the interest of the Association to reduce these charges. We consider it, however, essential that whatever be the charge of brokerage it should be declared.

We also think that it should be a rule of the Association that brokers should keep accounts in ink and that they should, in case of a dispute, between parties, when required by the Committee of Management, produce their account books for the purpose of enquiry or inspection. It is difficult to trace a transaction if the record is kept in pencil on loose papers which are liable to be destroyed or lost.

Margins

It has been suggested to us that in return for the safeguards demanded by the client from his broker, the broker should be protected against defaults by clients by some means whereby the client should pay margins. It is emphasised that in Bombay the position of a broker entails a very special liability, for he is practically in the position of a guarantee broker, that is to say, he guarantees his client against default in the fulfilment of his contract. But this guarantee naturally varies with the capacity of the broker to make good any such default. It is of value if the broker is rich; it is of no value if the broker is poor. Though in the London Stock Exchange no such emphasis is laid upon this liability, nevertheless it is the custom for brokers to make good to their clients any loss that may accrue to them as a result of a default in the fulfilment of the contract. The liabilities of the broker in Bombay do not therefore appear to differ in essence from the liabilities imposed by custom upon the brokers in the London Stock Exchange. We do not think that the system of margins prevailing in Japan is appropriate to Indian conditions; and it is of course open to any broker to decline to do business for a client without such margin as he thinks necessary.

Stamp Duty

In addition to the brokerage which is payable by the client there is payable by the broker the stamp duty on the contract. By Article 43 (*b*) of Schedule I of the Indian Stamp Act, II of 1899, as amended by the Bombay Amendment Act II of 1922, the stamp duty payable on a contract note, subject to a maximum of Rs. 20, is 2 annas for every Rs. 1,000 or part thereof on the value of the stock or security. We do not think that this duty is so much evaded as ignored. We recommend that it should be stated in the contract note that stamp duty is payable and a space definitely marked for adhesive stamps. We think that the stamping of contract notes would be greatly facilitated if arrangement for the sale of stamps is made within the Association's building.

Blank Transfers

A more serious question, however, arises in the evasion of transfer duty. By Article 62 (*a*) of Schedule I of the Indian Stamp Act, II of 1899, the stamp duty payable on the transfer of shares for value is half that payable on a conveyance, as provided by Article 23 of the Act as amended by Bombay Act, II of 1922 and may be taken as 12 annas per cent. A blank transfer in London is bad delivery, but in Bombay a transfer which is not blank is bad. The Bombay Chamber of Commerce are in favour of the abolition of the blank transfer or the limitation of its life. Many witnesses, including one of the experience and standing of Sir Dinshaw Wacha, are in favour of its total abolition. We are informed that these transfers sometimes pass from hand to hand for months or even years and that shares, with blank transfers, are hawked for sale round the bazaar; while we had put in in evidence a transfer in which the only details available were the signature of the transferor and the name and residence of the witness. It is also suggested that if the total abolition of the blank transfer is too drastic, its life might be limited to two months. It is, however, generally agreed that if the blank transfer is abolished the duty payable on transfers must be reduced, for it is contended that otherwise there would be no forward dealing and we think there is no doubt that forward dealing would be much restricted. The interest payable on loans, commission to the broker and the duty payable on transfer would, it is argued, render necessary so large a rise in the price of the security purchased before a profit could be secured as to deter the speculative investor from entering into transactions involving considerable risk. It is obvious, therefore, that a more rigorous enforcement of the present transfer duty might curail legitimate business. The question is after all a matter of policy for the Government of India to determine, though the present attitude of the Association is that they, as an Association, will not object. It is suggested that if the transfer duty were reduced from three-fourths to one-half per cent. and concessions were made in certain cases, such as where a purchaser takes into his own name shares he had previously pledged or carried on *budla*, the revenue of the Government of India would be increased and at the same time an undesirable practice would be suppressed. A necessary incident of the effective abolition of the blank transfer is, we consider, the provision of facilities in or near the Exchange for the embossing of stamps on transfer deeds and the abolition of the adhesive stamp. This work is done in London with great facility and despatch.

The Sub-broker

With the increased speculation of boom years and the largely increased profits accruing to brokers, others came to participate in a business which was so profitable; and there came into existence what we must regard as one of the most objectionable features of the share market in Bombay. We refer to the sub-broker. The sub-broker may be defined as a tipster and a tout. But he is a tipster and a tout who may in his own name do business upon the floor of the Exchange or he may act more in the manner of a half-commission man, who in London introduces business to a broker on a basis of half-commission, business very often of an undesirable kind. But it is generally admitted that the sub-broker in Bombay is a nuisance and a danger to the public and must be suppressed.

It is, we think, quite impossible that this class of tout could have come into existence and have become so marked a feature of the market without the connivance of the brokers. They must thus share the responsibility for the misfortunes of those who were drawn by the sub-broker into speculation and lost their all. Sub-brokers were not subject to even that control which the Association is authorised to exercise over its members. Yet when twenty-eight were found dealing on the Exchange they were not summarily expelled, but were given time to settle their affairs. Bombay, like other cities, when speculation was at its height, was not free from the sinister activities and the practices and devices of the promoter of worthless companies, practices and devices which no words can sufficiently condemn, but we think that in few cities was there so apt an instrument as the sub-broker. It is well known that rising prices exercise a great attraction upon the mind of the ordinary man ignorant of the finesse of those who manipulate the market, which they first inflate and on which they ultimately unload. And the index figures appended to this report and the appendices attached to the written representation of the Association show clearly the violent fluctuations which in recent years have marked the shares of certain companies. We have no doubt that the sub-broker was largely instrumental in inducing the public to support these fictitious values; and brokers, whose agents these sub-brokers must have often been, and the Association which admitted them within the Exchange, must share with them responsibility. If brokers desire touts, they should register their names with the Association; they should give them a seat in their office; they should be subject in all their dealings to their control; and they should in no circumstances be permitted to give contracts in their own name or be admitted to the Exchange. The sub-broker, in the form to which the share market has become accustomed, should be suppressed.

Corners

But, in our opinion, the most sinister manifestation of speculation in Bombay is the frequent occurrence of corners in the market; and the policy and practice of the Association with regard to corners appears to us to constitute the head and front of their offending. A corner is no longer a rare occurrence. On the contrary it appears to have become a recognised phenomenon in the share market of Bombay. It is an evil which must be suppressed if the share market in Bombay is not to become utterly demoralised and finally destroyed.

A corner arises when more shares than are available for delivery on the day of settlement have been sold, and the buyer holds the seller up to ransom. A corner may be the result of a careful and fraudulent rigging of the market by means of matched sales and other well known devices. Or the bears may by reckless overselling create a corner against themselves. But the result is the same. Those who have sold short are caught. Their failure may involve others besides themselves. Their endeavour to pay the price the purchasers exact may lead to forced sales in other scrips, a sharp fall in prices, and finally a panic and a crisis in the market. It is with the full realisation of these dangers and the disastrous consequences that may ensue, that in any normal market the danger of selling short is recognised, and in the absence of fraud or a rare coincidence of fortuitous circumstances, a corner is a most rare occurrence. In all Exchanges of repute it is recognised that the basis of all business on the Exchange is the principle that the seller who sells must be prepared to give delivery and the purchaser must be prepared to pay. The recklessness or unwisdom of a bargain is not regarded as good cause for departure from this principle which distinguishes the legitimate business of a Stock Exchange from gambling in differences. Nor is it regarded as a ground for intervention by the Committee with those prices which result from bargains freely made. It is generally recognised, that the evils resulting from the failure of those who have sold recklessly that which they do not possess are of less public moment than those resulting from the failure to insist upon the principle that all bargains freely made must be fulfilled by actual delivery and purchase. It is, we think, the failure to appreciate or to give due weight to this great principle which has led to the frequent corners in the Bombay Stock Exchange and to the demoralisation and complaint which has therefrom resulted. In the words of one of so great an experience and authority as Sir Dinshaw Wacha, a corner in Bombay has come to be regarded as a very effective way by which "bulls and bears alike settle improvident transactions of a highly reprehensible character." This it should never be, for this is nothing more nor less than gambling in differences.

We do not think it is necessary to apportion the blame between the bull and bear. The conduct of those who systematically overbuy or oversell is alike discreditable. The bulls say that the corner is forced upon them by the bears, who by frequent sales depress the market and the value of the shares. And as prices fall the banks, seeing the margin of security upon their loans decrease, call for further security to compensate for declining values. So the bull must buy all that is offered him to support the market and counteract the depression in prices which reduces the value of his holding. The bears say that they act in all innocence, and that the bull with guile and cunning rigs the market, until they find what they thought to be an active and free market is in reality controlled. But as one corner succeeds another, the numbers of short sales increase. It appears to us that the bulls buy and the bears sell as part of a gamble in differences, and the dice is loaded for that party which can prevail upon the Committee of Management to intervene and fix prices at such time as is to their advantage. The common form of procedure is, it is said, as follows : The bears oversell ; they petition the Committee ; a maximum price is fixed ; and the bears sell again below this price. We are bound to say that this appears to be in accordance with the sequence of events. But on the other hand it is clear that the bulls by means of syndicates, systematically seek to exploit the recklessness of the bears with the knowledge that the Committee has power to intervene. Each party hopes to profit by this intervention.

Before 1918, it may be said that a corner was an abnormal feature of the Bombay market. There is on record a corner in the shares of the Sun Mill in 1896, when through the personal intervention of the then President of the Association, Mr. Chunilal Motilal, short sales in shares quoted at Rs. 150 and which had risen to Rs. 620, were settled at Rs. 500. But this rise does not suggest the position was at all serious. There was at this time no specific rule for dealing with such situations. In 1910 the shares of the Maneckji Petit Mills were cornered. The rate from one settlement to the next rose by Rs. 650, from Rs. 3,300 to Rs. 3,950, and the business was ultimately compromised on the shorts paying differences at the rate of Rs. 3,800. It was then under the presidency of Sir Shapurji Broacha that on the 19th January, 1910, the Committee of Management passed the first resolution relating specifically to corners, and it was as follows :—

"If the Board infers that there is going to be some fraud with regard to the purchases and sales of the shares of a particular company, then at such times the Directors will intervene and all members shall have to act according to any resolution passed by the Board of Directors and at no time a corner will be allowed to be effected."

It will be observed that in this rule there is no specific reference to the fixing of prices by the Board. We have no doubt at all that this rule was passed in an honest endeavour to combat an undoubted evil. We have likewise no doubt that it was never contemplated that it should thereafter be so altered and so applied as to encourage rather than to combat the evil and to afford protection to those who convert legitimate business into mere gambling in differences. The failure of Indian banks in 1913 led to failures on the Exchange and details will be found in the written representation of the Association as to the means by which a difficult situation was admirably handled. But this incident is not particularly relevant, and the abnormal situation was due in the first instance to failures outside the Exchange. The resolution of 19th January, 1910, remained unaltered. Thereafter no corner, in the generally accepted term, appears to have taken place till the corner in the shares of the Standard Mill in 1918, which it appears was due, not so much to a desire to catch the shorts, as to obtain control over the mill by the purchase of all the shares. An amicable settlement was not a matter of great difficulty. But on the 27th June, 1918, the rule of 1910 was added to as follows :—

"Under any circumstances if in any instance a corner be discovered then the sales will be allowed to be carried forward to the next settlement and the maximum amount of backwardation allowed in such a case will be 3 per cent. and the applications for buying-in shares will be disposed of as follows :—

> The parties who have got notices issued for buying-in shares of a company shall have to buy them, but if in any case the shares are not bought-in against the seller and the purchaser has received a transfer from the original seller direct against such notice then the share will be considered as bought-in and the payment in respect thereof shall be made at the price fixed by the Board and which price will be approximate to the prices at which the shares were bought-in on that day and this making-up price will be considered final."

A corner in the deferred shares of the Katni Cement Company was settled by a resolution of the Board, dated 6th May, 1919, whereby it was ruled that "till further notice no one should do business for June settlement or for cash at a price higher than Rs. 1,900. Besides, after July settlement, business in Katni deferred shares should not be made till permission is granted by the Board". This is the first resolution in the minutes of the Association, which we can ascertain, by which maximum prices were fixed and business prohibited, and it is the first of a long series of resolutions by which prices were fixed for the current and successive settlements and dealing was forbidden and allowed, in the carrying into effect of a policy which, we believe, mistaken. And from that date we have the record of more than 50 meetings of the general body and of the Board, at which the question of corners and the fixing of prices was the subject of resolutions or of debate. In October, 1919, a corner was declared in the shares of the Madhavji Dharamjee Manufacturing Company and on the 31st October, 1919, was passed a rule which distinctly empowered the Board to fix such rates as they might think proper. This rule is as follows :

"The Board amends this day the resolution of 19th January, 1910, and resolves that : If the Board infer that there is going to be some fraud with regard to the purchases and sales of the shares of a particular company, then at such times the Directors will intervene *and fix such rates as they think proper for the said shares* and all members shall have to act according to any resolution passed by the Board of Directors and at no time a corner will be allowed to be effected."

And on the 5th of March, 1921, this rule was altered to its present form, which is as follows :

"26. If the Board finds that something extraordinary has taken place with regard to the delivery of shares as well as with regard to the buying-in and selling-out of shares then the Board will take immediate measures suitable to the circumstances and all the members shall have to act accordingly.

"26 (*k*). If a single individual or syndicate of persons enter into sales and purchases of shares (in which forward dealings are allowed) beyond reasonable limits and that if under those circumstances the Board infers that there is going to be a corner in the shares of a particular company or any other fraud connected with the dealings in the said shares, the Board will intervene and fix such rates as they think proper for the said shares.

"26 (*kh*). If a corner is declared by the Board then if necessary applications for buying-in shares should be granted only after receipt of the money in respect thereof."

We do not think it necessary to dwell at length on the corners which in succession have disorganised the market.

In Feburary, 1921, a corner was declared in the shares of the Fazulbhoy Mill. In July, 1921, prices were fixed, as in a corner, in the shares of the Currimbhoy Mill. In January, 1922, a corner was declared in the shares of the Finlay Mill, while in the same year corners were attempted in the shares of the Nagpur, Swadeshi, Currim and David Mills and failed only because a member of the syndicate failed to finance his speculation in another market, but prices were fixed as in a corner. Prices were likewise in that year fixed in the shares of the Sir Shapurji Broacha Mill. Prices in the shares of the Kohinoor Mill have been fixed twice in 1923 and even while this Committee was in session a corner was declared and prices were fixed in the shares of the New Great Eastern Spinning and Weaving Company.

The bare enumeration of these corners conveys but a faint idea of the dislocation and disturbance of the market thereby occasioned. Prices were fixed in anticipation of a corner; they were fixed when a corner was declared; they were fixed for some months after. It is not strange that the bears should have been roused to unusual activity, when the fixing of maximum prices limited their loss, but put no such limit upon their gain if the bull should fail. We think that the narrative of these events is sufficient to show that there is some great defect in the policy or the management of a market where such remarkable conditions prevail, and these defects are set out in a pamphlet written by the present President of the Association, Mr. K. R. P. Shroff, with a translation of which he has kindly provided the Committee.

This most informative pamphlet is appended to this report, and its perusal will materially assist in determining the weight to be attached to the opinion that corners exist in the market in spite of, not by reason of, the present rule, and that the interference of the Committee with the free course of trading in the market is in the public interest and is necessary for the protection of the public. A perusal of this pamphlet, we also think, lends support to the contention that the present rule and its application is not in the interest of the public but in the interest of those members of the Association who, on their own account and for their own profit, sell shares which they do not possess and which they have no reasonable prospect of possessing. There is reference in the minutes of the Association to sales on an enormous scale and to large fictitious sales and the terms of a proposal put forward for the consideration of the Corner Committee constituted by the Association are as follows :—

"Our members who are at present doing business by way of sale or purchase of thousands of shares on behalf of a merchant or a syndicate should desist from so doing, should agree amongst themselves that they would not do business for such person for more than 50 or 100 shares, and should not do business with such members as do not act accordingly. After such agreement if our members adhere to their happy resolution and act up to the same, merchants and syndicates will not be able to enter into purchases and sales of thousands of shares and the peril, difficulties and crisis likely to result from the actions of such syndicate will be for ever averted. And we will not be constrained to stop the forward and budli business. If one member does business for such a person only to the extent of 50 or 100 shares he will have to employ

70/100 members as his brokers to do business for 7,000 shares. By so doing the volume of his business will be curtailed because he will not be able to secure so many brokers at a time and our risk will be minimised as the same is likely to be divided among a large number of brokers."

We are informed by a witness, whose information we cannot doubt, that all possible influences are brought to bear upon the members of the general body and upon the members of the Board, so that the time and manner of the Board's intervention may be profitable to bull or bear. And the inference that these influences were at times not ineffective is, we think, supported by a resolution of the general body of the Association of October, 1922, whereby the general body assumed the power to remove, for any act prejudicial to the interest of the Association, a member of the Board. Such a policy and practice, we think, stands self-condemned, and it is condemned in his pamphlet by the now President of the Association. Though he can see no way out of the present trouble, we see no such difficulty. It is to adopt the policy and practice of those Exchanges of repute where legitimate business on a vastly greater scale is from day to day quietly and effectively transacted, and where defaulters, either bull or bear, are hammered, and where the absence of reckless oversales makes the most powerful bull syndicate comparatively harmless and no facilities are given and no protection afforded to either bull or bear.

We find the fundamental cause of all embarrassment in the affairs of the Association to be these rules 26, 26 (*k*), and 26 (*kh*) which relate to corners and which are set out in the written representation of the Association. The present President of the Association in his pamphlet says: "The existence of the present rule about corners has encouraged corners and will continue to do so in the future." We agree, and we believe this statement to be proved beyond all doubt by past events. We propose that these rules should be deleted, so that the policy and practice of the Stock Exchange in Bombay may be the policy and practice of those exchanges where the market is not disorganised by periodic corners and where the Committee of Management is not made the sport of sinister conflicting interests and where, in the absence of fraud, the Exchange will not intervene between the bull and bear.

We have considered all the arguments urged before us in justification of the exercise by the Committee of this power to fix prices and in proof of the necessity of its retention. And we have considered the various proposals which have been made to us with a view to prevent the recurrence of corners in the market. It is urged before us that but for the intervention of the Committee the public would have been left to the mercy of bull syndicates; but the *bona fide* investor does not sell that which he has not got and he, who does, must take the risk and suffer the penalty of his improvidence. And though there appears no means of ascertaining the proportion which exists in any one oversold account between the short sales on account of members of the public and the short sales on account of the members of the Association dealing for themselves, yet it would appear that the Association is moved to intervene more out of regard for the interests of its own members, and we are credibly informed that the proportion of short sales to the private account of the members of the Association is very high indeed. The appendices to the written representation of the Association show by the number of short sales the recklessness of the sellers.

But there is urged, in addition to the justification on material grounds of the Committee's action, a justification based upon ethical considerations, and, that is, that in permitting what are believed to be fictitious prices to be quoted on the Exchange, the Association is party to the circulation of a lie. We see no force in this contention. It is not for the Association to control the prices of the securities bought and sold in the market for which they provide facilities. It is not incumbent upon the Association to guarantee that the market price approximates to an intrinsic value which none can suggest a satisfactory means of ascertaining. And if this principle be accepted, whenever the market price moves above or below a price deemed for the time being to be the intrinsic value, the Committee are party to the circulation of a lie. The absurdity of this contention needs no demonstration. The Association must not knowingly permit the facilities offered by their market to be used for the perpetration of a fraud. But it is not suggested to us that any one of the corners in recent years has been due to fraud or that sales have been induced by fraudulent misrepresentation or by any other cause than the knowledge of both bull and bear that the Committee by their intervention would enable them to settle improvident transactions of a highly reprehensible character.

It is argued in justification of the power to fix prices that if the bear be left at the mercy of the bull all forward business will be killed. The greater negotiability, the greater freedom, the greater continuity and the greater sympathy between present and future prices which a forward market is generally considered to afford are all compatible with care and prudence. There is nothing inherently wrong in forward business. But it is necessary that it should not be freed of its inherent risk if it is to be kept within due bounds. And it is in our opinion better that forward business should cease in its entirety if its continued existence in Bombay is inseparable from the present evils. But we think that in the absence of undue protection, the realisation of its inherent risks will keep such business in some measure proportionate to the real needs of the market. It is in the public interest that unreal business should be reduced.

The breaking of the link

With a view to prevent corners it is suggested that there should be adopted that device which is known locally as the breaking of the link, that is, that all transactions should be periodically squared. But there is nothing to prevent a transaction closed on one day being re-opened on the next and the adoption of this device would result merely in a periodic settlement of differences.

A fortnightly settlement

It is also contended that corners might be made more difficult if settlements were every fortnight. But there is little force in this contention, for transactions would be carried over twice a month instead of once, and there would be two brokerages instead of one.

A Cash Market

It is suggested that if the security market in Bombay were established on a cash basis as in Calcutta and Madras corners would cease. Speculation would not cease, for money and scrip can both be borrowed, but in a market on a cash basis a corner is, if not impossible, a matter of great difficulty. We do not desire, however, to recommend save in the last resort the application of this drastic remedy in Bombay. And when compared with the markets of London and New York the Bombay market is very small. We give in an appendix to this report a list of the companies whose shares are quoted in the market. There are now but 29 on the forward list, and we are informed that those companies of which the shares are considered gambling counters are very few indeed. We give in a list appended to this report the names and details of the share issues of those companies the shares of which have been cornered or have been in, what is called, a cornered position. The number of shares is small but the denomination of the shares is high; and it is suggested that if the present high value of the mill share be reduced from Rs. 500 or Rs. 250 to Rs. 50, 25 or 10 a corner would be more difficult, for the shares would be more widely distributed in the hands of small investors. It is extremely probable that the large number of the shares of small denomination to be found by a short seller before a sale of any magnitude could be completed would emphasise the danger of short-selling and enforce caution.

The Cure for Corners

But such devices are at the best palliatives. They are not cures. In our opinion there is one cure alone and that is that the short seller should, in the absence of fraud, be left to pay the penalty. He must learn by experience the danger of selling short. The policy and practice of the Bombay Stock Exchange should be the policy and practice of the London Stock Exchange where corners are of rare occurrence. And this policy and practice is as follows: All contracts freely entered into for the sale or purchase of shares must be fulfilled by the delivery of the shares or by payment of the purchase price. And, if he who has sold shares cannot deliver on the day of settlement the shares which he has sold, he must submit to the ordinary procedure of the Exchange, whereby the shares are bought in against him in the open market, unless he can prove to the complete satisfaction of the Committee that he has been the victim of a fraud.

We propose that Rules 26, 26 (k) and 26 (kh) of the present rules of the association should be abolished, for these rules are in direct conflict with that great principle which differentiates the legitimate business of a Stock Exchange from gambling in differences and which has, in other countries, enabled the Stock Exchange to defend successfully in courts of law actions brought by those who seek to cancel contracts made in the Exchange on the ground that, as gaming or wagering, they are null and void. We think that thus reckless short selling will cease to be profitable to the bears. Short sales will not be freed of their inherent risk and we believe that corners will no longer disturb the normal functions of a normal market.

We regret that in their written representation the Association should have made statements reflecting upon certain members of this Committee, statements which have been proved incorrect and which have been withdrawn.

Admission for Quotations

We turn, from the consideration of a policy which we believe to be mistaken, to an occasion where we believe the action of the Association was in accord with the public interest. We refer to the prohibition of all dealings in the market in the shares of a company which had not been registered and in which allotment to the public had not been made. The admission of the shares of companies to the privilege of quotation and dealing on the Exchange is generally regarded as a matter of some importance, not only by the companies whose shares are thus given additional facilities of dealing and publicity, but by those in control of the Exchange, who realise that though a quotation indicates nothing more than that a company has been properly constituted and that its affairs are in apparent order, the admission of a company to the facilities thus offered entails a certain responsibility. A responsibility which it is endeavoured to discharge by a scrutiny of the affairs of the company before admission and by the enforcement of certain conditions. The duty of admitting to dealings and a quotation is performed in London by a sub-committee of the Committee for General Purposes and is subject to rules designed to ensure that the company is properly constituted, is not a fraud upon the public and is of sufficient public importance to be dealt in on the Exchange.

There are in existence certain rules of the Association, passed on 14th July 1920, which govern the admission of companies to dealings in cash transactions, but we think that the practice hitherto followed of selecting scrips for admission to the forward list by ballot to be inappropriate. We think all companies whose shares are fully paid up and which are registered in Bombay should be entitled to admission to the forward list, once they have satisfied the provisions of the rules which we have recommended relating to such admission. We think it undesirable and liable to misunderstanding if names of companies are to be admitted or removed arbitrarily from the forward list. We also think that if companies are given due notice of the days on which the Exchange is closed for settlement, they would endeavour to close their books accordingly. We understand that the Association is willing to publish the dates of settlement at the beginning of the year. We have no doubt that thus misunderstandings between the companies and the Association will not recur.

A Common Form of Transfer

We think it desirable that companies should adopt a common transfer form. We can see no objection of any weight to the proposed reform and the time and trouble saved would be considerable. The use of a common form of transfer might well be made a condition by the Association of the admission of the scrip of any company to the forward list or indeed, even to cash dealings.

The Official List of Prices

A source of public complaint is the lack of a daily official list of prices. Difficulty must necessarily be experienced in ascertaining correct prices when the Association itself issues no printed list. We understand, however, that the Association has no objection to undertake this duty if the public will pay the cost. An official list is issued by the Calcutta Stock Exchange at a small profit to itself, and we see, therefore, no reason against the introduction of this desirable reform. We suggest that in this official list should be shown the capital of the company, the nominal value of each share, the amount paid up, the closing quotation and the price at which bargains have been recorded.

Marking of Bargains

It has been suggested that it should be compulsory for every bargain transacted to be marked. This was tried in London and did not succeed. But we think it desirable that every bargain, wherever possible, should be marked, and we think it should be a rule of the Association that bargains must be marked if the constituent so directs the broker.

Clearing

The Association has no Clearing House of its own, and the service of a Clearing House is performed well and expeditiously by the Bank of India. And the bank is in no way responsible for the fact that the settlement lasts eight days or more. The Association pays the Bank of India Rs. 55,000 a year for this work and to meet the cost a member of the Association, who submits his sheets for clearing, pays Rs. 10 a month and quarter anna per cent. on the market rates as per their contracts, both for payments and deliveries. A charge equivalent to about Rs. 5 per Rs. 1,000 is also made for buying in and selling out deficiencies. We understand that the bank makes no direct profit from this arrangement, but profits indirectly by the fact that custom is thereby attracted. One limitation of this system is that the bank limits the number of scrips cleared to 40 at the present charge and that, for every additional scrip, a charge of Rs. 1,000 per annum would be made. But we have no doubt that the bank will make any such reasonable arrangement with the Association, as may be necessary, when the application of the new rules governing the admission of scrips to the forward list leads to an increase in number.

The Necessity of Reform

We have set out the defects in the government, constitution and practice of the Association, which we consider call for notice. Some are of long standing and are referred to in a letter of "Scrutator" in the Times of India of 10th July, 1914. We trust that the Association will themselves take all such steps as are necessary to remove these defects. But, in our opinion, the defect in policy and practice of the Association which has reference to corners is so grave as to demand under any circumstances immediate redress. We believe that with the guidance afforded by this Report, the Association will itself introduce the necessary change in policy and practice. But if this be not done, we think the public interest imperatively demands that legislative action should be taken.

A Board of Control

In the course of our enquiry certain measures of reform and control have been suggested to us. The suggestion most frequently made was that the representatives of various commercial associations of Bombay and of the Banks should participate in the management of the affairs of the Association in various degrees. It is suggested that in this way conflicting interests will be reconciled, and that wide experience and assistance of a disinterested nature will be made available to the Association in the management of its affairs. But not the least objection to all such suggestions is that the Association would bitterly resent the participation in the management of its affairs of those who are not members of the Association, while in practice it would appear difficult to find men possessing the requisite experience, skill and leisure. We do not think this suggestion is feasible in practice.

A Charter

Nor do we think a charter is a remedy for the present discontent. A charter is not to be imposed upon the unwilling. It is a privilege to be granted on request. We have heard no expression of desire on the part of the Association for such a privilege; nor do we think past events justify the grant to the Association of the monopoly which is thereby involved; while failure to observe the provisions of a charter might be a fruitful source of litigation. Moreover, the set provisions of a charter must tend to conflict with that growth and freedom which is so vital a condition of all progressive business.

Legislative Enactment

But we, the undersigned members of this Committee, desire to impress upon the Government with all the emphasis at our command the necessity of prohibiting by legislative enactment all forward dealings in stocks and shares in the city of Bombay, if the members of the Association reject the opportunity now afforded them of introducing the necessary change in the policy and practice of the Association regarding corners. Yet if this grave defect in the present policy and practice be once removed, we see no reason why the security market in Bombay should not attain that position among the great security markets of the world which is warranted by the wealth, the enterprise, and the undoubted ability of the people of this great city. It is our heartfelt wish.

A Summary of Recommendations

We would then, as follows, summarize our more important recommendations:

(1) The Association should be called the City of Bombay Stock Exchange.

(2) The rules should provide for the consideration of complaints by the public.

(3) The disciplinary rules of the Association should be strengthened and rigidly enforced.

(4) The dates of general meetings should be altered.

(5) The Board should retire annually and should be called the Committee of Management.

(6) The Arbitration Committee should be abolished and in its place the arbitration by two members of the Stock Exchange nominated from a panel of arbitrators should be substituted.

(7) The secretary should be paid and should not be a member of the Stock Exchange.

(8) The partnership rules should be rigidly enforced.

(9) The rules should be printed in English and in the vernacular and should be available to the public.

(10) The public should be totally excluded from the Stock Exchange until such time as a new building and gallery is provided.

(11) The hours of business should be extended.

(12) An annual declaration by members as to the class of business they propose to undertake should be made.

(13) The use and stamping of a uniform form of contract note should be enforced.

(14) A minimum scale of commission should be fixed.

(15) Companies should, as far as possible, use a common form of transfer.

(16) Blank transfers should be abolished on the reduction of the stamp duty.

(17) Sub-brokers should be totally abolished.

(18) Rules 26, 26 (k) and 26 (kh) relating to corners as set out on page 7 of the official representation of the Association should be repealed. (See Appendix p. 44.)

(19) A daily official list should be published.

(20) The regulations relating to the admission of companies to forward dealings should be altered.

The Committee desire to place on record their great indebtedness to their Secretary, Mr. G. Davis, of the Indian Civil Service, who, by his sympathetic attitude, succeeded in securing the co-operation of the Association and who was also of great help to the Committee in the drawing up of the report. The Committee are also indebted to Mr. A. L. F. Green of the London Stock Exchange, who accompanied Sir Wilfrid Atlay, for his assistance, particularly with reference to points of procedure.

(Signed) WILFRID ATLAY, *Chairman.*
(„) FAZULBHOY CURRIMBHOY.
(„) PURSHOTAMDAS THAKURDAS.
(„) R. LINDSAY.
(„) E. V. SASSOON.
(„) PHIROZESHAH MERWANJEE DALAL.

G. DAVIS, I.C.S., *Secretary.*

The Secretariat, Bombay,
9th January 1924.

MINORITY REPORT OF MR. BHULABHAI J. DESAI.

I, the undersigned, Bhulabhai J. Desai, one of the members of the Stock Exchange Enquiry Committee, beg to submit to His Excellency the Governor of Bombay in Council my report as follows :—

1. Pursuant to a Resolution passed by the Bombay Legislative Council a Committee was appointed on the 14th September 1923 to enquire into the constitution, government, customs, practices, rules, regulations and methods of business of the Native Share and Stock Brokers' Association of Bombay and to investigate any such complaints of the public and to make any such enquiries with reference to any of the aforesaid matters or any other matter appertaining to the aforesaid association and thereafter, with a view to protect the investing public against the interested or irregular control of business, to formulate such definite proposals for the future constitution, control, direction and regulation of the aforesaid association as the Committee may deem proper. The inquiry therefore fell into three parts :—(1) as to the internal management of the Association and the rules and practices concerning the same, (2) to investigate any complaint which might be made by the members of the public regarding the aforementioned rules and practices and (3) to submit definite proposals with a view to protect the investing public against interested or irregular control of business by the members of the said Association if it appeared to the Committee that the Association by its rules or practices was guilty of interested or irregular control of business.

2. The said resolution was moved on the 16th of October 1922 by Mr. Haveliwalla in the Bombay Legislative Council on account of heavy speculation which had taken place in shares of Joint Stock Companies in Bombay in the years 1919—1922. Mr. Haveliwalla appeared as a witness before the Committee and frankly confessed that he had no knowledge of the rules, regulations or practices of the Association or how far such rules and practices were responsible for the evil of which he complained. When the said Resolution was moved in the Council a certain amount of uninformed criticism took place but it was admitted that nobody was then in a position to say whether the Association was responsible for the state of things complained of.

3. It is a matter of common knowledge and also supported by evidence before this Committee that the heavy speculation on the Stock Exchange in the abovementioned years was a part of the widespread effect in India of the conditions produced by the European War. Europe ceased to produce for the time being any manufactured articles except those required for the prosecution of the War and with the stoppage of import into India of such articles a boom period set in in all industrial enterprises and the public mind was so much captured that very little foresight was exercised. Flotations of new companies for different kinds of industrial enterprises were several times over-subscribed and the values of the shares of the existing companies went up partly by reason of machinery for the new factories not being available and partly by reason of the products of these factories selling at high prices. Large numbers of persons engaged in other modest trades and professions thoughtlessly believed that fortunes were to be easily made on the Stock Exchange, and after the fever had subsided, when the depression came and losses occurred, there was a discontent for which blame was put upon people other than those responsible. A large number of the newly floated companies found it difficult to commence business. On account of the Swadeshi feeling the existing companies, and in particular textile Mills, still continued to sell their products at reasonably remunerative prices.

4. Recent events however point, in my opinion, to a return to normal conditions. Most people who flocked to the Stock Exchange during the boom period have reverted to their old modest employments and professions. The boom in the market was so high that in the year 1918 a new limited company was formed and incorporated under the name and style of the Bombay Stock Exchange, Limited. It had a feverish career and its influence extended even to outlying parts of the presidency but for some time past no business is being transacted on the said new Stock Exchange and it is now practically a dead institution. The figures relating to the business of the association point to the same conclusion.

5. It has been stated in the report of the Majority that corners have become a recognised phenomenon in the share market of Bombay. If by that statement it is intended to convey that speculation in the Bombay market is anything like what it was in boom times, that conclusion is erroneous and contrary to facts. I am of opinion that within a short time one will hear as little of corners in the Bombay market as of the ruinous speculation which reigned in the boom period. There is very good reason why corners should still survive for a time even though the period of active speculation is on the wane, because those capitalist interests who had taken up shares of joint stock companies at abnormally high prices would make some more efforts to make up for their losses (consequent upon depression in values) by attempting to squeeze the unwary public. They will, however, soon realise that times have changed and they must reconcile themselves to the condition in which they have been led by their own action or into which they have been driven by necessity. There is reason to believe and every indication to rely upon, that the normal state of things will soon prevail on the Stock Exchange.

It was recognised during the course of the evidence that speculation was a part of the normal life of a stock exchange market and the majority of the Committee were of opinion that without an element of speculation there would be little or no life in a stock exchange market.

If on economic or ethical grounds speculation or forward dealings deserve to be altogether stopped those considerations have got nothing to do with the question how far the rules or practices of the Association have led to ruinous speculation. There is nothing in the rules and practices of the Association which is shown to have resulted in such condition but taking advantage of the fact that a cry was raised by disappointed speculators who were the authors of their own ruin, the capitalist interests have availed themselves of the situation to support their unfounded complaints against the Association on account of their disappointment in not having been able to realise their wild expectations from successful corners. It is significant to observe that those who directly or indirectly were interested in the bullish condition of the market and gave evidence before the committee stated that they had no complaints against the Association save and except the existence and the enforcement of the rule against corners known as Rule 26, and one of such witnesses stated that if the said rule were abolished he had no complaint against the Association. In other words the complaint of the speculators, who were the authors of their own ruin reduces itself to nothing and the complaint of the bullish element is confined to the existence and enforcement of Rule 26. When the matter is thus analysed it appears to be clear that there is no interested or irregular control of business by the Association against which the investing public require to be protected. While I agree with the Majority of the Committee that corners are an undoubted evil in any market, I respectfully and entirely differ from the conclusion of the said Majority that the method devised by the Association to combat corners has encouraged rather than checked their growth. I also differ from the finding of the Committee that the action of the Association taken under Rule 26 is an interference with the course of free trading in the market or that it is the fundamental cause of embarrassment in the affairs of the Association. In my opinion the enforcement of Rule 26 is an attempt to restore in some measure free trading in a market when dominated by one interest in the hands either of an individual or a syndicate. It is an idle pretence on the part of the Bulls to urge that if their mischievous activities are sought to be checked it is an interference with free trade.

7. The strongest commentary on the genuineness of the complaint of the bullish element against the existence and enforcement of Rule 26 is the fact that they have continued to actively trade and to attempt to make corners notwithstanding the existence of Rule 26 and knowing that it would be applied. If the rule were half as vicious as it is pretended to be, the matter could be easily brought to a head by the Bull elements refusing to effect any transactions through the Association. The Bears cannot sell to themselves, and it is therefore perfectly obvious that if the rule was really objectionable the Bulls by refusing to enter into transactions would have brought about its abolition, it being asserted on behalf of the Bulls all through the inquiry that the bulk of the share brokers are Bears.

8. It also appears from the evidence recorded before the Committee that notwithstanding the immense speculation which took place through the Association, the members of the Association met their obligations to their clients except to a very insignificant extent and that only one member of the Stock Exchange was guilty of fraud in his dealings and absconded from Bombay.

9. It is I think an idle threat to suggest that if the guidance which the majority report purports to afford to the Association is not accepted by the Association that the Government would or should interfere by prohibiting all forward trade in stocks and shares; it is equally erroneous to suppose that such interferenceby the Government would work in the interest of the general community; and it is equally a vain hope to think that the Majority of the Committee would succeed in forcing the hands of the Association in accepting their recommendation in the matter of this Rule by telling the Association that in default of their doing so their members would be deprived of the means of livelihood.

10. It is unnecessary for me to go into the history of the Association. The Association is an old established institution and though its formal constitution dates from the 3rd of December 1887 its existence can be traced back to many years before that period. In my opinion undue emphasis is laid in the report on the fact that the aims and objects of the Association do not specify in some manner the protection of the public. This observation is founded on a misconception. If brokers associate themselves into a body, the objects would primarily be those which affect themselves but when one of the objects of the Association is "to promote honourable practice," it may be fairly assumed that the Association is concerned to act honourably towards those who employ them, *viz.*, the speculating or investing public. The only reason why the Association has not hitherto undertaken the investigation of any complaints from a client against a broker is that unless the client is prepared to submit to the decision of the Association such investigation is of little or no value and I am of opinion that if a rule on the lines of Rule No. 77 of the Rules and Regulations of the London Stock Exchange were adopted, the Association would I have no doubt entertain and investigate such complaints. The said Rule and the form of the Agreement of Reference are set forth in the next paragraph.

Rule 77.

11. If a non-member shall make any claim or complaint against a member, the Committee shall in the first place consider whether such claim or complaint is fitting for their adjudication, and in the event of their deciding in the affirmative, the non-member shall, previously to the case being heard by the Committee, sign the Form of Reference No. 31 in the Appendix.

Form.

To the Committee for the General Purposes of the Stock Exchange, London.

In the matter of a complaint between   and

Gentlemen,

I do hereby consent to refer this matter to you, and I undertake to be bound by the said reference, and to abide by and forthwith to carry into effect your Award, resolution or decision in this matter, in the same manner as if I were a member of the Stock Exchange, and I further undertake not to institute, prosecute, or cause, or procure to be instituted or prosecuted, or take any part in the proceedings, either civil or criminal, in respect of the case submitted. And I consent that the Committee may proceed in accordance with the ordinary rules of procedure, and I undertake to be bound by the same. Also that the Committee may proceed *ex-parte* after notice and that it shall be no objection that the members of the Committee present vary during the enquiry or that any of them may not have heard the whole of the evidence, and any Award or resolution of the Committee, signed by the Chairman for the time being, shall be conclusive, that the same was duly made or passed, and that the Reference was conducted in accordance with the practice of the Committee. And I hereby agree that this letter shall be deemed to be a submission to arbitration within the meaning of Arbitration Act, 1889.

Agreement Stamp.

12. As regards admission to membership the Rule concerning the same has been so altered as to admit to membership any British subject, subject to a qualification of residence for a period of ten years in the Bombay Presidency. It is recommended in the majority report that the name of the Association should be the City of Bombay Stock Exchange. I have no objection to the alteration suggested but it does not appear to me to be a matter of any significance or importance. Notwithstanding the fact that admission may now be open to any British subject there is no reason why the present members should not desire that they should continue to be called by a traditional ancient name.

13. In view of what I have stated regarding the manner in which the obligations have been met by the members of the Association towards their clients it is quite unnecessary to suggest any alterations relating to the manner in which the inquiry as to the status and sufficiency of a candidate before admission. It is also not possible to insist that a member of the Association shall not follow any other profession. I agree with the Majority of the Committee in the view that as far as possible it would be advisable to have members whose only, if not the chief, occupation is that of a share broker.

14. I also agree with the recommendation of the said Majority that the amount of the annual subscription should be reasonably increased so that the Association would be placed in a position to have larger funds for recurring expenditure particularly as I desire that the Association should have an efficient executive staff.

15. As regards the rules relating to the internal management of the affairs of the Association, the powers and duties of the President, and the other officers, the Committee of Management and Sub-Committees which might be appointed from time to time and of the general body, I have examined the draft rules which have been prepared by the Association and I am of opinion that those rules if passed with the alterations I have suggested in this report will leave little to be desired. The routine executive work of the Association including the publication of the rules and regulations and keeping them up to date, publication of the list of members of the Association and other matters of this kind should be in my opinion more regularly and methodically done than has hitherto been the practice.

16. As regards the use of the premises of the Association by persons other than members and their recognised clerks, the question is more a matter of convenience than of principle but the Association would however do well not to allow any confusion to be introduced into their business by the admission of outsiders into the actual place reserved for transacting business.

17. Perhaps the only complaint (if it can be so called) which is repeated in the evidence of most of the witnesses other than brokers relates to the excessive number of days on which the Exchange is closed for business, and though in a voluntary profession it is not possible to compel people to work if they do not so desire, I think that the Association ought to meet the public desire and curtail the number of days when the exchange is so closed. Such curtailment can be done in two directions, first by observing less holidays and secondly by getting through the clearance work in shorter time than at present.

18. It is generally recognised that it is not possible to have a clear division of jobbers and brokers in the Bombay Market. It also appears from the evidence recorded before the Committee that many if not most brokers deal on their own account to a certain extent. When disputes between a client and broker have become the subject of litigation the courts have enforced against the Brokers all the legal obligations and disqualifications attaching to an agent. The law, however, allows an agent himself to deal in the matter of his agency with the knowledge of his principal, and in order to avoid all disputes and difficulties I am of opinion that there should be two recognised forms of contract which every broker should use according as he has effected the transaction as the agent for his client or he has accepted the transaction on his own account. I am also of opinion that it will serve public interest, that in every case a written contract on such forms should be issued by every broker and delivered to his client. I have not been able to form any definite opinion on the evidence produced before us as to a proper scale of brokerage. The minimum brokerage which is insisted upon in the rules of the London Stock Exchange is not intended so much as a protection to the client as a prevention against undercutting by one broker at the cost of another. If however such a minimum scale is fixed, it would be desirable to have a rule that such minimum shall be the rate which the client would be bound to pay in the absence of an arrangement to the contrary.

19. As regards the employment of sub-brokers, that is, persons who canvass business in return for sharing brokerage, I do not think that canvassing in any business of this kind can be successfully checked, at the same time it would be advisable to frame rules so that the number of persons, so employed by any broker are well known to the other members and that such a person does not purport to carry on business on his own account as if he were a certified broker.

20. An objection has been taken to the practice of the association whereby a seller of a share is obliged in fulfilment of his contract to hand over to his broker the relative share certificates and a transfer form, duly signed, with the name of the buyer blank. If the institution of jobbers does not exist it appears to me that that is the only way in which a seller can or can be required to fulfil his contract. The obligations of a seller of shares have been laid down by Brett, Master of the Rolls, in the case of Skinner *versus* The City of London Marine Insurance Co., Ltd. (14, Queen's Bench Division, p. 882), as follows :—" The only contract on a bargain of sale of shares is that the seller shall execute a valid transfer of the shares and hand the same to the transferee and so do all that is necessary to enable the transferee to insist with the company on his being registered as a share holder in respect of such shares. " Under such circumstances when a blank transfer form is handed to the purchaser it clothes him with the authority to fill in the blank. On the London Stock Exchange by reason of the division into jobbers and brokers and by reason of the clearance being effected by the Stock Exchange itself it appears that the blank transfer is filled in before the transfers get into the hands of the purchaser. The evidence recorded before us points to numerous difficulties in the way of a completed transfer being insisted upon in Bombay. The result of course of the present practice prevailing in Bombay is that a seller of the shares remains liable in respect thereof as between himself and the company until the purchaser or his successor is actually substituted on the company's register. It is not a matter of any importance in the case of a fully paid up share, but it is a matter of importance in cases where there is a certain amount of uncalled liability on the share which is the subject of the sale and I am inclined to think that the difficulties which have been pointed out can be met by allowing the transfer to stand good even though blank for a certain definite period from the date of its issue. It should however be observed that it does not follow from the blank transfer being filled in that the transferee would necessarily get himself registered on such blank being filled in. At the same time it is certain that if such transferee whose name is filled in wishes to sell the share he could not in his turn execute a valid transfer until he had got himself registered and in that indirect way the original seller who gave the blank transfer would succeed in getting a successor on the register of the company. As the result of the taking of blank transfers there is considerable laxity and negligence on the part of the buyers to get themselves registered in the hope of being able to sell the shares without getting themselves registered. It should however be pointed out that a purchaser or a pledgee by omitting to get himself registered runs serious risks of an earlier title prevailing over his as illustrated in the case of R. D. Sethna *versus* The National Bank of India (See Indian Law Reports 36 Bombay at page 334).

21. I next proceed to deal with the question of corners which have taken place in the Bombay market and their causes and the remedies to meet such occurrences. I am of opinion that frequent occurrences of corners in a market is not a healthy sign but the real question is whether the policy and the practice of the association are, and if so to what extent, the cause of

such occurrences. This matter has been dealt with in the Report without a proper and careful examination of the evidence recorded before us and the conclusions of the Committee on this vexed question are, I respectfully venture to observe, based upon vague generalisations.

22. Over 14 brokers in active business have given evidence before us. It appears from their evidence that in October 1919 a corner was declared in the shares of Madhavji Dharamsey Manufacturing Company, Limited, that in February 1921 a corner was declared in the shares of Fazalbhoy Mills, that in July 1921 a condition akin to a corner existed in the shares of Currimbhoy Mills, that in January 1922 a corner was declared in the shares of the Finlay Mills, that in the same year corners were attempted in the shares of Nagpore, Swadeshi, Currim and David Mills, and that in the year 1923 a corner or a position akin thereto was declared to have existed in the shares of Kohinoor Mills and of the New Great Eastern Spinning and Weaving Company, Limited. Evidence has also been given by Mafatlal Gagalbhoy and Rai Saheb Sangidas Jessiram. Rai Saheb Sangidas was concerned in a syndicate which failed to successfully corner the shares of Nagpur, Swadeshi, Currim and David Mills, whereas Mafatlal Gagalbhoy succeeded in carrying out corners in the shares of Standard and Kohinoor Mills. Of the broker witnesses the evidence of Mr. Shroff, the present President of the Association, Mr. Jamnadas Murarji, Mr. Jugjivan Ujamsey, Mr. Feroze Jehangir, and Mr. D. D. Kanga is the most valuable. Mr. Jugjivan Ujamsey has clearly shown that the principal recent corners were mainly forced on the market by individuals or syndicates intending to squeeze the Bears. Mr. Jugjivan Ujamsey has also spoken about the influence which a certain syndicate attempted to bring to bear on the Committee of the Association in reference to the declaration of corner and fixing of rates. The Committee have considered that evidence credible and I do not desire to comment on that part of the evidence, for however immaculate a committee may be, they cannot prevent an attempt being made to influence them in their decision. It further appears from his evidence that during the boom time of 1921-22 a certain syndicate commenced speculation on a very heavy scale and purchased many securities for about 8 or 9 crores. Rai Saheb Sangidas came to be interested in that syndicate at a later stage. It further appears from the evidence of Mr. Jamnadas Murarji that the corners in Currim, David, Fazulbhoy and Finlay Mills shares and the attempted corners in Nagpore and Swadeshi were largely the result of the operations of this syndicate. It also appears from the evidence recorded before us that the corner in the shares of the New Great Eastern Spinning and Weaving, Company, was also due to the operations of another syndicate.

23. The evidence of Mr. Shroff and Mr. Jugjivan Ujamsey is nearly to the same effect. The evidences of Mr. Feroze Jehangir, Mr. D. D. Kanga and Mr. R. R. Nabar support the same conclusion. The evidence of Rai Saheb Sangidas and Mafatlal Gagalbhoy leaves no doubt on the matter. Of all the brokers who gave evidence Mr. N. M. Dumasia was the only one who recommended the abolition of Rule 26. Mr. Dumasia is a journalist by profession and deals on the Stock Exchange as a second string to his bow and has (to use his words) considered it immoral to trade except as a Bull. Mr. Kikabhai Premchand, the *ex* President of the Association, was of opinion that the sovereign remedy to check speculation was 'breaking of the link'. That view has not found favour even with the Majority. If his favourite hobby was however not accepted, I do not read his evidence to mean that the Committee of the Association should not have some power of the kind referred to in Rule 26 with a view to protect the interest of the Association and the public in the event of a corner.

24. I have come to the conclusion that the corners, the occurrence of which is described as a sinister manifestation of speculation in Bombay in recent times, are not in any manner due to the practice or policy of the Stock Exchange. They have their origin in the efforts of the capitalist holders of the shares to squeeze the unwary public. I think however that such efforts have their limits both in extent of time and of shares and I foresee that in a reasonably short time the market will assume its normal conditions. The capitalists were supported in their efforts by the boom conditions and it is a matter of common knowledge that those conditions have nearly disappeared. It should also be remembered that simultaneously with speculation in shares an immense amount of speculation in exchange, cotton, gold, silver and numerous other commodities took place in the Bombay Market, and it appears to me that the heavy speculation in shares was a part of the general condition of the market for that period. It would be interesting to know that the speculators had within their sphere even commodities like old Japanese newspapers on account of the scarcity of paper.

25. A Bear raid is a mere matter of theory and in the condition of the Bombay market a Bear raid would require concerted action on the part of two or three hundred brokers whereas a Bull operation is generally in the hands of an individual or a syndicate and is always therefore premeditated and methodical and likely to be more effective. On the Bombay Stock Exchange the number of shares dealt in are limited in number and of fairly large denomination. The system of company management by agents, who in most cases were the original promoters of the companies, has led to the result that the agent's firm generally holds a sufficient number of shares to have a controlling interest in the company. Individuals or syndicates have also become the holders of a majority of shares in certain companies as a result of speculation or in the hope of securing the agency commission. The existence of this element is

frequently forgotten in the consideration of the question of how corners arise or how they can be combated.

26. On the 5th of March 1921 the Association adopted in its present form Rule 26, 26k and 26kh. It runs as follows :—

"(26) If the Board finds that something extraordinary has taken place with regard to the delivery of shares as well as with regard to the buying-in and selling-out of shares then the Board will take immediate measures suitable to the circumstances and all the Members shall have to act accordingly.

"(26k) If a single individual or syndicate of persons enter into sales and purchases of shares (in which forward dealings are allowed) beyond reasonable limits and that if under those circumstances the Board infers that there is going to be a corner in the shares of a particular company or any other fraud connected with the dealing in the said shares, the Board will intervene and fix such rates as they think proper for the said shares.

"(26kh) If a corner is declared by the Board then, if necessary, application for buying-in shares should be granted only after receipt of money in respect thereof."

27. That rule in its principle is as old as the year 1910 and was adopted with a view to combat the first corner of certain shares in the Bombay market.

28. Having regard to the considerations which have been placed before the Committee I am of opinion that that Rule should be altered as follows :—

(*a*) If a single individual or syndicate of individuals enter into sales or purchases of shares (in which forward dealings are allowed) beyond reasonable limits and under such circumstances that the Committee considers that there is going to be a corner in the said shares or class of shares or that there is any fraud connected with the dealings in the said shares or class of shares, the Committee may suspend all future dealings in such shares or class of shares for the then ensuing *vaida* and the next following *vaida.*

(*b*) In the event of such suspension being declared the buying-in rule shall also be suspended as to all dealings prior to the said suspension in the said shares or class of shares, nor shall the Committee have a right to fix any rates as to the said shares or class of shares.

(*c*) The majority required for passing a resolution suspending dealings under the said rule should be two-thirds of the persons present at the meeting at which such decision may be arrived at and the quorum for such a meeting shall be at least half the number of the total members of the Committee for the time being. The decision of the Committee so arrived at shall be final.

(*d*) In the event of such suspension being declared the Committee at the proper time shall have the power to fix a making-up price for the purposes of the settlement and the clearing, but such making-up price shall not in any manner affect the rights and obligations of parties in the matter of damages or otherwise as regards such dealings.

29. The evidence of Mr. N. M. Dumasia who holds a card of the Association is that rule 26 should be abolished on the ground that it interferes with the freedom of contract. In the first place Mr. Dumasia has failed to observe that the rule does not purport to affect the transactions which had taken place prior to the declaration of a corner. The justification of the abolition of rule 26 is also sought to be supported (as would appear from the questions of the other members of the Committee put to several witnesses) by a suggestion that nobody has a right to sell what he does not possess and therefore cannot deliver. It sounds an excellent proposition on paper but when applied to a Stock Exchange it carries its absurdity on its own face, for it is impossible to suggest that business is done on any Stock Exchange by sellers who are the actual registered holders of the shares or their brokers and only to the extent of their actual holding. On the contrary according to the opinion of the majority of the Committee speculation is a necessary and useful element in the stimulation and growth of industrial enterprises and that it is the life of a Stock Exchange.

30. It appears to me that the Rule in the terms I have suggested is a fair solution of all the difficulties which have been suggested and appeared at one stage to find favour even with the Majority of the Committee. I notice however that their final conclusion is a recommendation for the removal of the said Rule.

31. It also appears to me that there is another reason in principle on which the existence of this rule can be supported. Though the Stock Exchange is not under an obligation to guarantee the fairness of the prices of any particular kind of stock or share, I am of opinion that the following principles should prevail on every Stock Exchange :—

1. Any security offered for sale shall be sold at the best possible price which any member of the Exchange is willing to pay at the time the offer is made, and conversely, any purchaser of securities shall obtain them at the lowest price at which any one is willing to sell.

2. Every transaction shall represent a bonafide purchase and sale ; this fact to be made manifest by the prompt publication of the transaction and reporting to the principals on both sides of the name of the broker on the other side.

3. Both sides of every transaction shall be responsible and good for their bargains. The moment there is the slightest doubt on this point, the facilities of the Exchange must be immediately withdrawn.

32. Mr. Cromwell, the President of the New York Stock Exchange for the year 1921-22, in his annual address states, inter alia as follows :—

"The Stutz incident furnishes a good illustration of the importance of the power of the Governors to take summary action in either suspending trading or removing from the list, a security which is dominated by one interest. When, as in the Stutz case the price is artificial the Stock Exchange quotations are giving wide currency to a lie. The continuation of the lie, which says in effect that the consensus of opinion of the investing public was that the Stutz stock was worth $.400—$ 500 a share, when in fact it was actually worth according to the judgments registered in a free and open market, less than $100 a share, might have gone on indefinitely had the action of the Stock Exchange been hampered by official red tape ".

33. It is not an uncommon thing to find that when the market is constantly being forced up, small genuine investors are inclined to think without inside knowledge that the rise is genuine with the result that they enter into small transactions which feed to a large extent the speculation that has already been set on foot. But when the corner comes to an end either by its failure or by successful settlement at the instance of the Bull, the shares resume a normal value far below what the investor paid for it. Small investors of this kind are usually deceived by the conditions of the market and protection would be afforded to such small investors by the said Rule 26. The rule therefore is not against the interest of the investing public and it is a partial protection to them. This consideration is described in the report as an ethical consideration under a misconception and I entirely disagree with the view that the cure for corners is the abolition of Rule 26.

34. I should further add that of the non-broker witnesses who have given evidence Mr. Gray, the Manager of the Bank of India, Mr. Manmohandas Ramji, a public man intimately connected with mill industry, Mr. Mafatlal Gagalbhoy and Rai Saheb Sangidas Jesiram are all of opinion that the rule is right in principle and should be maintained. Mr. F. C. Annesley (one of the representative of the Bombay Chamber of Commerce) states as follows in his written statement submitted to the Committee :—

"I think a purely cash basis for business would prove unworkable. Forward business is not in itself objectionable on right lines.

* * * * *

The Committee (of the Association) should have power when they see transaction in any particular stock assuming undue proportions to veto further transactions for a time and call on parties for their statements, but I don't see why they should fix prices ".

Mr. E. F. Groombridge in his evidence has said that corners are due to large holdings in the hands of a few capitalists and favours the existence of some power like that contained in Rule 26.

Mr. F. E. Stileman (representative of Bombay Mill Owners Association) considers that power to declare corners should be retained in the Rules of the Association but its exercise should be left to an independent Committee.

35. I have not considered it necessary to discuss several proposals made before us in the evidence relating to a super committee and other forms of outside control over the Association as every one of them has been rejected even by the Majority.

36. The only other objection urged against the Rule is that in the application of the rule there is reason to believe that interested influences might prevail. That in my opinion is no ground for the abolition of the rule and the only evidence we have is not of any interested application but of an attempt on the part of a syndicate to prevent its application. I think there is no foundation for condemnation of the Association as a crowd of ignorant men without principle voting where their interest for the moment lies. It may be that a large number of members of the Association are not familiar with the English language but I know that they are men with sufficient education for their own walk of life endowed with shrewdness and an honourable instinct and I should be the last person to lend my support either to a threat or a recommendation founded upon the belief or upon a suggestion that the trade morality prevailing on the Stock Exchange is in any manner inferior to the trade morality in any other trade in Bombay.

37. I should also like to call attention to the opinions of recognized economists on what a corner is, how it arises and the method of dealing with the same. Mr. Pratt, late Secretary of the Chamber of Commerce of the State of New York, defines a corner as follows :—

"A corner is that condition of a Stock in which the supply is held by one operator or a clique of operators and in which many have contracted to deliver to the operator or the clique what they can obtain only from the operator or the clique.

All corners may be classified under one of two kinds (1) those that are deliberately engineered for the purpose of fleecing shorts by forcing them to settle at some abnormal price ;

(2) those that have their origin under some pardonable circumstances such as a fight for control and are not deliberately designed for mulcting purposes. While corners of the second class are more to be condoned than those of the first, disastrous consequences may nevertheless be equally great. " Of course corners can be operated only because of the existence of a short interest in the market. In fact the term is simply an abbreviation of the more comprehensive expression of ' cornering the shorts ' ". This situation is brought about by an operator or a pool of operators who succeed in obtaining possesion of all or virtually all of the shares of a given issue of stock available for delivery purposes upon outstanding short sales.

" Such short sales are first induced on a large scale by apparently unwarranted high prices or other methods, the purpose being to bring about a large volume of short sales with a view to making delivery in fulfilment of these sales impossible, since the operator of the corner is in possession of all the stock and will refuse to sell except at his own price. Thus assuming the given issue of stock to comprise 200,000 shares in which instance the operator of the corner may acquire all these shares and at the same time buy another 100,000 shares from short sellers. In the meantime, however, while inducing short selling on the part of the unsuspecting public the true situation is kept extremely secret. Short sellers must depend, of course, upon a continuous market for the borrowing or purchasing of stock for the purpose of fulfilling delivery. To camouflage the situation the operator of the corner will, therefore, usually lend his own stock freely and on ordinary conditions. Through matched orders the operator being both buyer and seller, he will also produce the impression that there is a real continuous market in the stock. When the time arrives for consummating his nefarious purpose, the operator will call in all the stock he has loaned to short-sellers. Nor can any stock be purchased, because the operator is in possession of it all, and does not offer it for sale. The operator, in other words, possesses all the stock called for by the contracts made by the shorts, that is, the shorts are cornered. " The remedy to relieve against the evil of corners is suspension of further dealings. And it is the considered opinion of Mr. Meeker, Economist to the New York Stock Exchange, that " it is particularly necessary when the free and open market for security has been destroyed by the establishment of a corner in it, that for the protection of the public trading in it should quickly be halted on the Exchange ". " In every such case, *viz.*, the case of a corner, the interest of the Stock Exchange is identical with the interest of the public in maintaining on its floor a market for securities which shall at all times be free and open."

38. Rule 26, as I have drafted it, does not affect the transactions antecedent to the declaration of the corner and leaves the Bull free to claim any damages which the Court should assess to be reasonable in the event of no settlement being arrived at, and by suspension of future dealings further mischief is averted. Under the rule as it now stands it appears from the evidence of Mr. Mafatlal that after the prices were fixed there were no sales by the Bears. I particularly mention this because that appears to be the apprehension of possible mischief when maximum prices used to be fixed in case of a Bull corner, under the present rule.

39. In the concluding portion of the report it is stated that the majority desire to impress upon the Government the necessity of prohibiting by legislative enactment all forward dealings in stocks and shares in the City of Bombay if the members of the Association reject the opportunity now afforded to them of introducing the necessary change in the policy and practice of the Association regarding corners. The only change that one can find in the report is summarised in recommendation No. 18, *viz.*, the abolition of Rule 26, 26 (k) and 26 (kh). It appears to me that the threat held out of prohibiting forward dealings is resorted to in the belief that the Members of the Association would submit to the abolition of the said rule 26 (whether such abolition was right or wrong) as otherwise it is supposed their trade would stop with the prohibition of forward dealings. This is an unfounded belief, as some of the broker witnesses have stated that they would rather have no forward dealings than deal on the Stock Exchange without some such rules as Rule 26.

40. For the reasons I have stated above, I am of opinion that the abolition of the said rule is not only unnecessary but such abolition is sure to result in trouble and mischief and that the rule as stated in paragraph 27 of my report is the only real weapon against the raids by capitalist interests on the Stock Exchange. It is proved by the evidence recorded before us (and there is no evidence to the contrary) that the majority if not all, of the corners in recent times were entirely due to capitalist interests attempting to squeeze the members of the Association or their unwary clients. The Sanction mentioned above is fortunately not attached to the remaining nineteen recommendations of the Majority and indeed when they are read it would be ridiculous to suppose that any legislative interference could ever be justified for non-compliance with those recommendations.

41. I also wish to say that as a matter of principle interference by the State in trades like the Share and Stock Brokers is undesirable if not improper. That opinion has been emphatically expressed before the Committee by Sir D. E. Wacha, a gentleman of great civic reputation, having intimate knowledge of the economic conditions of India and of Bombay in particular. After a full criticism and fair recommendation the matter must be left to be adjusted by the demands of public opinion. The members of the Association, I believe realise that " the Stock Exchange cannot succeed and that it cannot be responsive to the public demands which

are made upon it unless it lives upto the highest possible standard of its obligations to an enlightened public sentiment."

I wish to add here that the Majority of the Committee have failed to profit by the lessons to be derived from the failure of the legislative act known as Sir John Barnard's Act in England and its ultimate repeal.

42. For the foregoing reasons I have the honour to recommend :—

(1) That complaints of the public against the Members of the Association should be investigated on the terms mentioned in paragraphs 10 and 11 hereof.

(2) That sub-brokers should be allowed to be employed under the restrictions mentioned in paragraph 19 of this Report.

(3) That in place of Rule 26, 26 (k) and 26 (kh) the Rule as stated in paragraph 27 hereof may be substituted ; and

(4) That at present no case has been made out for the necessity, propriety or utility of legislation for regulating business on the Stock Exchange in Bombay.

Having regard to the fairness of the attitude adopted by the Association in this enquiry, I have no doubt that the Association will at an early date give effect to the recommendations and views put forward by me in this Report.

It is a matter of sincere regret to me that I have not been able to agree with the conclusions of the Majority of my colleagues on some of the most material points arising out of the enquiry. I have, however, the satisfaction of having done my duty in presenting my separate report as the Minority report of the Committee.

28th January 1924. BHULABHAI J. DESAI.

LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY

APPENDIX 1.

GOVERNMENT RESOLUTION CONSTITUTING THE COMMITTEE.

Appointment of a Committee of Enquiry regarding the Native Share and Stock Brokers Association of Bombay.

GOVERNMENT OF BOMBAY.

FINANCE DEPARTMENT.

Resolution No. 2628.

Bombay Castle, 14th September 1923.

The Governor of Bombay in Council is pleased to appoint a Committee to enquire into the constitution, government, customs, practices, rules, regulations and methods of business of the Native Share and Stock Brokers Association of Bombay and to investigate any such complaints of the public and to make any such enquiries with reference to any of the aforesaid matters or any other matter appertaining to the aforesaid Association as the Committee may deem proper and thereafter with a view to protect the investing public against the interested or irregular control of business to formulate such definite proposals for the future constitution, control, direction and regulation of the aforesaid Association as the Committee may deem proper.

2. The Committee will be constituted as follows:—

Sir Wilfrid Atlay	*Chairman.*
Sir Fazulbhoy Currimbhoy	*Members.*
Sir Purshotamdas Thakurdas	
Mr. R. Lindsay	
Captain E. V. Sassoon	
Mr. Bhulabhai J. Desai	
Mr. Pherozeshah M. Dalal	
Mr. G. Davis, I.C.S.	*Secretary.*

3. The Committee will assemble in Bombay at such place and time as will hereafter be notified.

4. Any person wishing to give evidence before the Committee or to assist the Committee with information is invited to give, by writing or otherwise, intimation to this effect, within fifteen days of the publication of this notification, to the Secretary, Stock Exchange Enquiry Committee, Finance Department, Secretariat, Fort, Bombay.

By order of the Governor in Council,
H. DOW,
Deputy Secretary to Government.

APPENDIX 2.

HEADS OF ENQUIRY.

OFFICE OF THE
STOCK EXCHANGE ENQUIRY COMMITTEE,
Finance Department, Secretariat.

HEADS OF ENQUIRY.

A list of items which the Committee will, with such other matters as may appear necessary, take into consideration in their enquiry, is appended, and witnesses, if they desire, may utilise this list for their guidance in their written and oral evidence.

1. History of the Association. Aims and objects of the Association. The Association's building.

2. Constitution of the Association.

3. Qualifications of members. Admission of members. Necessity and nature of security. Expulsion and suspension of members. Licensing of brokers. Partnerships.

4. Election of President. Power and authority of President. The officers and staff of the Association.

5. General meetings of the Association. Methods of business at general meetings.

6. Constitution of Committee of Management and of sub-committees. Election of committees. Methods of business of committees.

7. Relations of the Committee of Management (*i.e.*, Board of Directors) to (1) the general body of the Association, and (2) the individual member.

8. Method of passing rules. Desirability of printed rules in English available to the public on payment. Adequacy of the rules. Method of enforcing rules.

9. Division of members into the two classes of jobbers (*i.e.*, dealers) and brokers.

10. Clerks authorised and unauthorised. The wearing of badges. The admission of the public.

11. Excessive holidays. Hours of work.

12. The broker and his office. The broker and his client. The buying broker and the selling broker. The broker's method of business. Contract notes. Margins. Commissions.

13. Bombay as a market for securities. The chief varieties of securities dealt in.

14. A cash basis for business. Cash *versus* forward business. Budla business.

15. Blank transfers. Their abolition. A check on gambling. Duties payable on the transfer of shares. Evasion of duties.

16. Fortnightly settlement. The closing of the Exchange for settlement.

17. Corners. Syndicates. Bulls *versus* bears. The power of the Managing Committee to declare a corner and to fix prices. Justification and exercise of this power. Arbitration Committee.

18. The enforcing of bargains and adjustment of disputes. The buying-in-rule. Suspension of buying-in-rule.

19. The breaking of the link.

20. The floatation of companies. New issues and quotations. Admission and removal of scrip from forward list.

21. Fluctuations in shares.

22. The official list and marking of bargains.

23. The Clearing House. Making-up prices. Methods of clearing.

24. Defaulters.

25. Tribunal of Appeal constituted of members of the Association and representatives of commercial bodies before which a member of the public can make complaint with regard to a broker or the Association.

26. Incorporation. Do events in the past make legislation and a charter a necessity. Nature and scope of legislation.

27. Bombay as one of the great markets of the world.

By order of the Committee,
G. DAVIS,
Secretary, Stock Exchange Enquiry Committee.

APPENDIX 3.

Articles of Association.

Deed of Association and Declaration Trust of the Native Share and Stock Brokers' Association.

MEMBERS OF THE MANAGING COMMITTEE FOR THE YEAR 1890.

Choonilal Motilal (*President.*)
S. Burjorjee.
Muncherjee Bhaijee.
B. Bhikajee.
R. M. Rutnagur.
Fakeerchund Premchund Raichund.
Ramjee Purshotum.

Deepchund Nalchund.
Motichund Devchund.
Harakhchund Hansraj.
Amersey Katchra.
Cooverji Merwanji Mehta (*Honorary Secretary*).

AUDITORS.

Abdoolrahiman Allibhai.
Atmaram Hurkisson.

THIS INDENTURE made the third day of December in the Christian year one thousand eight hundred and eighty-seven. Between Choonilal Motilal, Byramjee Bhikajee Kanga, Cawasjee Nosserwanjee Kanga, Hurukchand Hunsraj, Bholanath Lukhminarayen, Amersey Kutchra, Nuthoo Madhowjee, Purbhoodass Jeewandass, Cooverjee Merwanjee Mehta, Ruttonjee Maneckjee Rutnagur, Abdool Rehman Allybhoy, Atmaram Hurkissondass, Deepchund Nahalchand, Dinshaw Hormusjee and Shapoorjee Burjorjee Baroocha Esquires of Bombay brokers of the first part, hereinafter referred to as the parties hereto of the first part: Choonilal Motilal, Byramjee Bhikajee Kanga, Cawasjee Nosserwanjee Kanga, Amersey Kutchra, Ruttonjee Maneckjee Rutnagur, Somnarayen Nurnarayen, Shapoorjee Burjorjee Baroocha, Motichand Dewchund, Ramjee Purshotum, Mancherjee Bhaijee, Hurruckchand Hunsraj and Gunesh Velljee Esquires of Bombay brokers parties hereto of the second part hereinafter referred to as the parties hereto of the second part; and Bomonjee Dinshaw Petit, Choonilal Motilal, Byramjee Bhikajee Kanga and Jootha Hurruckchund Esquires of Bombay of the third part hereinafter referred to as the parties hereto of the third part. WHEREAS on or about ninth day of July one thousand eight hundred and seventy-five a few native brokers doing brokerage business in shares and stocks resolved upon forming in Bombay an association for protecting the character status and interest of native share and stock brokers and of providing a hall or building for the use of the members of such Association. AND WHEREAS ever since several persons acting as brokers in shares and stocks have associated themselves as a Brokers' Association and having become possessed of certain monies are now desirous of formally establishing and forming themselves into a Society to be called the Native Share and Stock Brokers' Association and of executing a proper deed of Association for the purpose; AND WHEREAS at a meeting of the Native Share and Stock Brokers' Association held at the Brokers' Hall within the Fort of Bombay on the fifth February one thousand eight hundred and eighty-seven it was resolved that the parties hereto of the first part should execute the necessary deed on behalf of all the Members of the said Association and draft of which had been prepared by Jemsetjee Cursetjee Cama Solicitor and approved by the members of the Association, AND WHEREAS at the said Meeting the parties hereto of the second part were appointed the Managing Committee of the said Association, AND WHEREAS at the said Meeting the parties hereto of the third part were appointed Trustees of the said Association, AND WHEREAS the undersigned are now desirous of formally establishing and forming themselves into a Society to be called the Native Share and Stock Brokers' Association. NOW THIS INDENTURE WITNESSETH that for effectuating the purposes aforesaid and in pursuance of such agreement in this behalf, each of the said several persons, parties, hereto of the first part for himself, his heirs, executors, and administrators, doth hereby mutually covenant, promise, and agree to and with each of the others of them, his executors and administrators in manner following:—

I. *Constitution of the Association.*

That they the said several persons parties hereto of the first part and such other persons as have already been and such other persons as shall hereafter be appointed and admitted members in the manner hereinafter mentioned shall henceforth constitute and be a Society to be called the Native Share and Stock Brokers' Association.

II. *None but Natives to be Members.*

That no other persons except natives of India shall be admitted as members of the said Association nor shall any members other than natives of the Bombay Presidency be allowed to take part in conducting and managing the affairs of the Association.

III. *Who are to be Members.*

That any person who is a native of India or a firm consisting wholly of Natives of India may with the assent of the Managing Committee for the time being of the Association become a member of the Association.

IV. *Application for admission.*

That the application for admission to membership shall be made in writing to the Managing Committee for the time being of the Association and shall be in such form as the Managing Committee shall from time to time prescribe.

V. *How to be Signed.*

That the application shall be signed by the candidate.

VI. *Power to reject application.*

That the Managing Committee may at their discretion reject any application without assigning any reason.

VII. *Annual Subscription.*

That every member shall pay an annual subscription of five rupees. Such subscription shall be payable on the first day of January in each year.

VIII. *Entrance Fee.*

That a newly admitted member shall immediately on his admission pay an entrance fee of Rupees fifty-one as well as the annual subscription payable.

IX. *Entrance fees and subscription to be paid before privileges exercised.*

That such newly admitted member shall not be entitled to exercise any of the privileges of a member unless he shall have paid such entrance fee and subscription, and if he shall for one Calendar month after his admission shall have been notified to him in writing or otherwise by the Secretary of the Association make default in such payment he shall *ipso facto* cease to be a member.

X. *Power to increase fee and subscription.*

That the Managing Committee may at any time with the sanction of a general meeting increase or reduce the annual subscription and entrance fee.

XI. *Power to withdraw from Association.*

Any member may withdraw from the Society by giving two Calendar months' notice in writing to the Secretary of his intention so to do, and upon the expiration of the notice he shall cease to be a member.

XII. *Right of members and their sons.*

That the rights and privileges of a member during his life time shall be enjoyed by his sons without any payment of entrance fee or the annual subscription but otherwise shall be personal and incapable of transfer by the act of such member or by operation of law, those of a firm shall cease upon its dissolution and those of an individual member on his death.

XIII. *Arrears to be paid by withdrawing members.*

That any person who shall by any means cease to be a member shall nevertheless remain liable for, and shall pay the Association, all monies which at the time of his ceasing be a member may be due from him to the Association.

XIV. *Powers as regards members in arrears.*

That if any member shall neglect for one Calendar month to pay any money due from him to the Association, the Managing Committee may by notice in writing or otherwise request him to pay such money. The notice shall appoint a day and place for payment. If the requisitions of such notice are not complied with, the Managing Committee may suspend the privileges of such member for such period as they may think fit.

XV. *Objects of the Association.*

That the said Association is established to support and protect the character, status, and interests of brokers, dealing in shares, stock, and other like securities in Bombay, to promote honourable practice, to suppress mal-practices, to settle disputes amongst brokers, to decide all questions of usage or courtsey in conducting brokerage business.

To errect, construct, and maintain at Bombay a suitable building, to be used as a Brokers' Hall and for such other purposes of the Association as may be determined upon and to call such building "Sir Dinshaw Petit Native Brokers' Exchange Hall."

To borrow, with the sanction of the members of the Association given at a Special General Meeting convened for the purpose, any monies required for the purposes of the Association upon such securities as may be determined.

To purchase or otherwise acquire, with the sanction of the members of the Association given at a Special General Meeting convened for the purpose, any real property and any rights or privileges necessary or convenient for the purposes of the Association, and in particular any land, buildings or easements.

To take on lease any real and personal property and any rights or privileges necessary or convenient for the purposes of the Association and in particular any furniture.

To invest the monies of the Association not immediately required upon such securities as may from time to time be determined upon.

To sell, develop, lease, mortagage, dispose of, or otherwise deal with, with the sanction of the members of the Association given at a Meeting specially convened for the purpose all or any part of the property of the Company.

To do all such other things as are incidental or conducive to the attainment of the above objects.

XVI. *Managing Committee.*

That there shall be a Governing Body or Managing Committee of the said Association consisting of at least twelve members of the said Association, and such Committee shall be at liberty to elect from their own body their President, Secretary, Treasurer and Accountant, who shall be *ex-officio* President, Secretary, Treasurer and Accountant respectively of the said Association.

XVII. *First Managing Committee.*

Until the annual meeting in the year one thousand eight hundred and eighty-eight the parties hereto of the Second part shall be Managing Committee of the said Association.

XVIII. *Retirement of Committee men.*

That three of the members of the Committee of management for the time being shall retire every year at the annual general meeting of the members of the said Association to be held as hereinafter mentioned, and the members of the present Committee shall retire in the order in which their names appear in these presents, the first retirement of such members to take place at the annual general meeting to be held in the year one thousand eight hundred and eighty-eight and as soon as all members of the present Committee shall have retired or shall have otherwise ceased to be members of the said Committee of management the members of the Committee for the time being shall retire in the order in which they shall have been elected or appointed and all members retiring shall be eligible for re-election.

XIX. *Filling up vacancies on retirement.*

That on every such retirement as aforesaid the members of the said Association shall at the annual general meeting in the year in which such retirement shall take place elect from among themselves three persons to be members of the said Committee in the place of those members who shall have so retired and in case new members of the Committee shall not be elected at any annual general meeting at which such new members ought to be elected the retiring members shall continue in office until new members shall be duly elected at any annual general or special general meeting of the members of the Association.

XX. *Committee of management have powers to supply vacancies of office-bearers, etc.*

That the Committee of management shall have the power of supplying vacancies of office-bearers and in their own number from amongst the members of the said Association but the persons appointed to supply such vacancies respectively shall duly hold office so long as the persons respectively, whose places they are appointed to supply would have held office in case such vacancies respectively had not occurred.

XXI. *Powers of Committee: Mode of conducting business.*

That the management of business and the control of the said Association shall be vested in the Managing Committee who in addition to the powers and authorities by these presents expressly conferred upon them may exercise all such powers and do all such acts and things as may be exercised or done by the Association and are not hereby expressly directed or required to be exercised or done by the Association in General Meeting and the Committee of management shall have the sole and entire management, control and superintendence of the income, funds and property and expenditure of the Association, and all other affairs and concerns thereof and of nominating and appointing such officers and servants thereof as they may deem necessary or useful to the said Association and of removing them if they shall think fit, and of prescribing their duties and of framing and altering Bye laws and Rules from time to time for the guidance of the members and it shall be lawful for the Managing Committee for the time being of the said Association to commence prosecute and defend all such actions suit and proceedings whether Civil or Criminal and the same to compromise or submit to arbitration and to make, give, sign and execute all and every such warrant to sue or defend on behalf of the Association or any other document and the Committee shall meet together once a month or as often as may be requisite and it shall be lawful for the said Committee or the majority present at any meeting thereof at which five or more members thereof may be present to perform all the duties of the said Committee and to do all such acts as shall appear to them necessary or fitting to be done in order to carry into full operation and effect any of the objects and purposes of the said Association so that the same be not inconsistent with or repugnant to any of the provisions of these presents, and that at every meeting of the Committee, the President thereof shall preside or in his absence such other person as shall then be present and be appointed Chairman by the Members of the Committee then present and no Member shall have more than one vote except the president or other person in the chair who shall have an additional casting vote on all questions when the votes given shall happen to be equal.

XXII. *Secretary to convene Meetings of the Committee.*

That the Secretary shall convene Meetings of the said Committee whenever necessary or on the requisition of two or more members of the said Committee and the proceedings of the said Committee of Management shall be written in a book to be kept for the purpose by the Secretary.

XXIII. *Annual General Meeting of the Members.*

That about or shortly after the month of January in each year the said Committee of Management shall convene a meeting of the members and subscribers of the said Association to be called the annual general meeting of the said Association and shall submit to such meeting the annual report of the proceedings of the said Association or a summary thereof, giving an account of the state of the said Association and also the Treasurer's account of the previous year together with the auditor's report thereon.

XXIV. *Annual General or Special General Meetings: How to be convened.*

That the Annual General Meeting of the said Association shall be convened by advertisement to be inserted in two or more newspapers of Bombay at least three days before the time appointed for such meeting, and the said Committee of Management shall also on the requisition of fifty or more members of the said Association convene a special meeting of the said Association also by advertisement to be inserted in the public newspapers of Bombay at least three days before the time appointed for such meeting.

XXV. *Business to be transacted at Annual General Meetings.*

That no business other than that provided by the twenty-third clause of these presents and the appointment of members of the said Managing Committee in the place of retiring members and of Auditors shall be brought forward or transacted at any Annual General Meeting unless the advertisement convening such meeting shall specify what other business is intended to be brought forward.

XXVI. *General Meetings to have power, etc.*

That the said Association at Meetings duly convened for the purpose shall and may ordain and make such and so many Rules and Orders although they may have the effect of altering the clauses and provisions of these presents as to them or the major part of them shall seem necessary or convenient and proper for the regulating and better governing the said Association and the members and affairs thereof, and for the admission of members of the said Association and the election and re-election of the Committee of Management and the qualification of the electors and appointment of the members of the Committee and their retirement and the appropriation of the funds and property of the Association and performing the duties of the said Committee and of the several Officers and servants of the said Committee and generally for carrying the objects and purposes of the said Association into full and complete effect and such Rules and orders or any of them from time to time to alter, change or annul. Provided, always that no change or alteration whatever be made in so much of the second section as provides that none but members of the Native community of the Bombay Presidency shall be appointed Trustees of these presents or members of the said Managing Committee.

XXVII. *Proceedings of General Meetings.*

That every question submitted to an annual general or special general meeting of the said Association shall be decided by a majority of the votes of the Members present and at such Meeting votes shall be taken by a show of hands unless a ballot be demanded by at least five of the Members present, the Chairman of the Meeting shall have a casting vote and twenty-five members of the Association shall form a quorum for the transaction of business at any General Meeting.

XXVIII. *Power to purchase and sell lands, etc.*

That the said Committee shall be at liberty to purchase and sell with the sanction of a General Meeting specially convened for the purpose such lands or buildings or erect and build such building or buildings in such locality or localities in the Island of Bombay as they may think fit for the use of the Members of the said Association.

XXIX. *Duties of the Treasurer.*

That the Treasurer of the said Association shall recover and receive all the subscriptions, donations and all other moneys due to the said Association, and shall give receipts for the same countersigned by the President of the Association, or in his absence by a member of the Committee, and shall defray and pay all the expenses of the said Association in conformity with the directions of the said Committee of Management communicated through the Secretary and shall keep a full and detailed account of such receipts and disbursements and of the general income and expenditure and of the funds and investments of the said Association and shall submit such accounts to the said Committee when required and such accounts shall be open to the inspection of the members and subscribers at such time and place as may be appointed for the purpose by the said Committee, and shall be laid before the annual General Meeting, and shall be published annually for the information of the members of the said Association.

XXX. *Auditors.*

That the annual General Meeting shall annually appoint two auditors, who shall audit the accounts of the Association, examine the securities, or other investments, of the funds of the said Association, and make their report which shall be submitted to the annual General Meeting of the said Association; until the annual meeting in the year one thousand eight hundred and eighty-eight Atmaram Hurkisondass and Abdool Rahiman Allibhoy shall be the first auditors. If any casual vacancy occurs at any time in the office of auditor the Managing Committee shall forthwith fill up the same.

XXXI. *Trustees to be appointed as occasion may require.*

That the members of the said Association at the annual General Meetings or at special meeting convened for the purpose as occasion shall require, shall from time to time appoint such persons as they please, Trustees of the said Association and shall have power from time to time to remove such Trustees or one or more of them as they shall see occasion and to appoint another or others in their or his place or stead and in the names or name of the Trustees for the time being shall be made and taken all grants, conveyances, and assurances of the property in favour of the said Association and all instruments and assurances for the security and indemnity of the said Association, and of the committee, officers, property, capital, stock, and effects thereof.

XXXII. *Deed declaring Trust.*

The Committee of management shall cause a deed or instrument to be executed, declaring the Trusts upon which the Trustees hold or will hold any property of the Association vested in them and they shall do so on every appointment of any Trustee and the Committee of Management shall cause such of the property of the Association as shall be directed or intended by the General Meeting, appointing such Trustee or Trustees to be vested in his or their name or names or under their or his legal control, jointly with any continuing or other Trustee or Trustees or solely as the case may be or may be so directed or intended as aforesaid.

XXXIII. *Receipt of the Trustees to be a sufficient discharge.*

That the receipt of the Trustees for the time being of the said Association for the purchase moneys of any property sold by the Committee of management of the said Association being the subject of their Trusteeship shall be good and sufficient discharge to the persons, paying or delivering such moneys or effects for the money, or effects which in or by such receipt shall be expressed to be or to have been received and the persons paying or delivering the same money or effects and taking such receipts aforesaid shall not afterwards be obliged or required to see to the application of the same money or effects to be answerable or accountable for the misapplication or non-application thereof.

XXXIV. *The first Trustees, and provisions for the appointment of new Trustees.*

The parties hereto of the third part shall be the first Trustees of the said Association for the several purposes herein expressed, and they shall respectively continue in Office, till they or any of them die or become insolvent, or leave Bombay or be removed or be desirous of withdrawing from the Trusts reposed in him or them and that upon the happening of any of such events, the members of the said Association shall at a duly convened annual general or special Meeting nominate and appoint a successor or successors, who shall thereupon be and become a Trustee or Trustees in the room of such Trustee or Trustees, so dying, becoming insolvent, leaving

Bombay, being removed, or relinquishing his Trust as aforesaid provided also that none but members of the Native Community of the Bombay Presidency shall be appointed Trustees under these presents or members of the said Committee of Management.

XXXV. Power of the Trustees to invest.

That the Trustees for the time being shall from time to time, on the application of Committe of Management of the said Association, invest all moneys belonging to the said Association. in public fund, or securities of the Government of India, Port Trust Bonds, Municipal Bonds, houses and landed property or by depositing the same at a fixed rate of interest with any respectable Joint Stock Company and shall from time to time by the direction of the Committee of Management alter and transpose the funds, and securities in or upon which the moneys for the time being shall be invested.

XXXVI. Investment of Surplus Funds with the Treasurer.

That any surplus funds which may from time to time remain in the hands of the said Treasurer or of the Committee of Management may if the said Committee think fit to be invested in the securities or in manner aforesaid, in the names of the Trustees for the time being, of these presents for a building fund or for the creation of an insurance fund, repairs fund, furniture fund, salaries fund, or any other fund.

XXXVII. Liabilities of Trustees and Liberty to Re-imburse.

That the said Trustees hereby appointed or herein named or any Trustee or Trustees that may hereafter be appointed in manner aforesaid shall not at any time be made liable for any more money, than shall actually come into his or their own proper hands, or for the loss, or variation in the price of securities or for the failure of any Bank or Broker, or the dishonesty of any clerk or servants or other person with whom any part of the trust property may be deposited or placed in charge or be liable for any other than his own immediate and respective wilful acts, deeds, and defaults and every such Trustee shall be at liberty from and out of all or any part of the trust moneys in the first place, to re-imburse himself all sums of moneys, costs, charges, damages, expenses, and demands whatsoever which he can, shall or may reasonably incur, bear, sustain, or be put into in any manner howsoever by reason or on account of his acceptance or execution of the Trusts anything hereinbefore contained to the contrary thereof in anywise notwithstanding.

In Witness whereof the said several parties hereto have hereinto set their hands, and seals the day and year first above written.

Signed, sealed, and delivered by the several parties in the presence of Pestonjee Dadabhoy Cambata,

Clerk to Mr. Jemsetjee Cursetjee Cama.

શા० ચુનીલાલ મોતીલાલ,
(*i.e.*) Sha Choonilal Motilal.
B. Bhikajee.
Kavasjee Nusserwanjee Kanga.
હરખચંદ હંસરાજ,
(*i.e.*) Harakhchand Hunsraj.
ભોલાનાથ લખમીનારાયણ,
(*i.e.*) Bholanath Lukhminarayan.
અમરસી કચરા,
(*i.e.*) Amersey Katchra.
નથુ માધવજી,
(*i.e.*) Nathoo Madhowjee.
Purbhoodass Jeevundass.
Cooverji Merwanji Mehta.
R. M. Rutnagur.
Abdoolrahiman Allibhai.
આતમારામ હરકીશન,
(*i.e.*) Atmaram Hurkisson.
Deepchund Nalchund.
Dinshaw Hormusjee.
S. Burjorjee.

શા૦ ચુનીલાલ મોતીલાલ,
(*i.e.*) Sha Choonilal Motilal.
B. Bhikhajee.
Kavasjee Nusserwanjee Kanga.
અમરશી કચરા,
(*i.e.*) Amersey Katchra.
R. M. Rutnagur.
Somnarayan Nurnarayen.
S. Burjorjee.
Motichand Devchand.
રાંમજી પરશોતમ,
(*i.e.*) Ramjee Purshotum.
મંચેરજી ભાઇજી,
(*i.e.*) Muncherjee Bhaijee.
હરખચંદ હંસરાજ,
(*i.e.*) Harakhchund Hansraj.
ગણેશ વેલજી,
(*i.e.*) Gunesh Veljee.

Bomanjee Dinshaw Petit.
શા૦ ચુનીલાલ મોતીલાલ;
(*i.e.*) Sha Choonilal Motilal.
B. Bhikajee.
Jutha Harakhchand.

APPENDIX 4.

DECLARATION OF TRUST.

Declaration of Trust of the Sir Dinshaw Petit Native Brokers' Exchange Hall.

THIS INDENTURE made the Third day of December in the Christian year one thousand eight hundred and eighty-seven Between Choonilal Motilal, Byramjee Bhikajee Kanga, Cawasjee Nusserwanjee Kanga, Hurukchund Hunsraj, Bholanath Lukhminarayen, Amersey Kutchra, Nuthoo Madhowjee, Purbhoodas Jeewandas, Cooverjee Merwanjee Mehta, Ruttonjee Maneckjee Rutnagur, Abdool Rehman Allybhoy, Atmaram Hurkissondass, Deepchund Nahalchand, Dinshaw Hormusjee and Shapoorjee Burjorjee Barooch**a** Esquires of Bombay, the Managing Committee of the Native Share and Stock Brokers' Association of the one part, hereinafter called the said parties hereto of the first part and Bomonjee Dinshaw Petit, Choonilal Motilal, Byramjee Bhikajee Kanga, and Jootha Hurruckchund Esquires of Bombay, of the other part, hereinafter called the said parties hereto of the second part. WHEREAS by Indenture dated Third day of December One thousand eight hundred and eighty-seven being Articles of Association of the Native Shares and Stock Brokers' Association the said parties hereto of the first part were appointed the first Managing Committee of the said Association AND WHEREAS by such Indenture it was agreed that the members of the said Association at their annual general meetings or at a special meeting convened for the purpose, as occasion should require, should from time to time appoint persons to be Trustees of the said Association and should have power from time to time to remove such Trustees or one or more of them as they should see such occasion and to appoint another or others in their or his place or stead and in the names or name of the Trustees for the time being should be made, and taken all grants, conveyances, and assurances of property, in favour of the said Association, and all instruments and assurances, for the security and Indemnity of the said Association and of the Committee Officer's property, capital, stock and effects thereof and that the Committee of Managment should cause a deed or instrument to be executed declaring the trusts upon which the Trustees held or would hold any property of the Association vested in them, and they should do so on every appointment of any Trustee and the Committee of Management should cause such of the property of the Association, as should be directed or intended by the General Meeting, appointing such Trustee or Trustees to be vested in his or their name or names or under their or his legal contract, jointly with any continuing or other Trustee or Trustees or solely as the case might be or might be so directed or intended as aforesaid AND WHEREAS the said Bomanjee Dinshaw Petit, Choonilal Motilal, Byramjee Bhikajee Kanga, and Jootha Hurruckhund were appointed Trustees of the said Association AND WHEREAS the said Native Share and Stock Brokers' Association is possessed of Rupees Thirty-eight thousand deposited with the Manockjee Petit Manufacturing Company

Limited, to run at interest at six per cent. per annum, being made up of monies realized by sale of Twenty-five shares in the Victoria Manufacturing Company Limited, given to the Native Share and Stock Brokers' Association by Sir Dinshaw Manockjee Petit for building a Brokers' Exchange Hall in consideration of the members of the said Association having got several shares subscribed to a joint stock Company, promoted by the said Sir Dinshaw Manockjee Petit under the name of the Victoria Manufacturing Company Limited, and which with interest amounted to Eighteen thousand eight hundred and eighty Rupees and of Seven thousand Rupees collected by the members of the Native Share and Stock Brokers' Association and a sum of Rupees Twelve thousand one hundred and sixteen, Annas fourteen, given as a donation by Sir Dinshaw Maneckjee Petit, on the condition, that all the above moneys be vested by the Native Share and Stock Brokers' Association in the names of Trustees. for the purpose of being used towards building at Bombay, a suitable Hall, on a suitable site and to be for ever called the Sir Dinshaw Petit Native Brokers' Exchange Hall, which the Native Share and Stock Brokers' Association agreed to do Now This Indenture Witnesseth that in pursuance of the said Articles of Association of the said Native Share and Stock Brokers' Association, and in consideration of the premises It is hereby agreed and declared between and by the parties hereto that the said Bomanjee Dinshaw Petit, Choonilal Motilal, Byramjee Bhikajee Kanga, and Jootha Hurruckchund and the Survivors and Survivor of them, and the Executors or Administrators of such Survivor or the other Trustees or Trustee for the time being of these presents hereinafter called the Trustees or Trustee shall stand possessed of the said sum of Rupees Thirty-eight thousand upon Trust, to hold the principal thereof, in fact until the Association at a General Meeting specially convened for, for the purpose, direct the Trustees for the time being of these presents by writing under the signature of the Managing Committee for the time being of the said Association that the said Trust Fund in whole or in part, shall be laid out, for the purpose of purchasing land, and erecting a building thereon for a Brokers' Hall or of purchasing land with building to be used as Brokers' Hall to be called and ever thereafter to be known as the Sir Dinshaw Petit Native Brokers' Exchange Hall in which event the Trustees shall pay to such person or persons under the direction and with the consent of the Managing Committee of the Association either the whole amount of the Trust Fund or such part thereof, from time to time, as may by such Notice be required in and towards the fulfilment, and completion of the said object, and no other use or purpose or object whatsoever, but the Trustees for the time being of these presents shall in the meanwhile pay to the Committee of Management for the time being or to their order when required so to do the interest and dividends of such Trust Fund for the purpose of being applied towards the payment of rent of a Brokers' Hall. And This Indenture further Witnesseth they the said Bomanjee Dinshaw Petit, Choonilal Motilal, Byramjee Bhikajee Kanga and Jootha Hurrukchund do hereby respectively testify and declare their acceptance of the Trusteeship to which they are appointed by these presents, and that they their heirs, executors, administrators and assigns shall and will from time to time, and at all times hereafter, stand possessed of, and interested in the said monies, and the securities therefor, and all monies which may be given by the said Association or any other person or persons at the order and disposal of the said Native Share and Stock Brokers' Association for the purpose of having it employed towards building a Brokers' Hall to be for ever thereafter called Sir Dinshaw Petit Native Brokers' Exchange Hall, and upon the terms and with the subject to the powers, provisoes, declarations and agreements expressed, declared, and contained, respectively in and by the Articles of Association for the time being of the Native Brokers' Association.

In Witness whereof the parties to these presents have hereinto set their respective hands and seals the day and year first above written.

Signed, sealed, and delivered by the
above named in the presence of
Pestonjee Dadabhoy Cambata,
Clerk to Mr. Jamshetjee Cursetjee Cama.

શા૦ ચુનીલાલ મોતીલાલ,
(*i.e.*) Sha Choonilal Motilal.
B. Bhikajee.
Kavasjee Nusserwanjee Kanga.
હરખચંદ હંસરાજ,
(*i.e.*) Harakhchund Hansraj.
ભોલાનાથ લખમીનારાયણ,
(*i.e.*) Bholanath Lukhminarayan.
અમરસી કચરા,
(*i.e.*) Amersey Katchra.
નથુ માધવજી,
(*i.e.*) Nathoo Madhowjee.
Purbhoodass Jeevundass.

Cooverji Merwanji Mehta.
R. M. Rutnagur.
Abdoolrahiman Allibhai.
આતમારામ હરકીશન,
(*i.e.*) Atmaram Hurkisson.
Deepchund Nalchund.
Dinshaw Hormusjee.
S. Burjorjee.

Bomanjee Dinshaw Petit.
શા૦ ચુનીલાલ મોતીલાલ,
(*i.e.*) Sha Choonilal Motilal.
B. Bikajee.
Jutha Harakchand.

APPENDIX 5.

OFFICIAL REPRESENTATION OF NATIVE SHARE AND STOCK BROKERS' ASSOCIATION.

When the last European War broke out in 1914, the Stock Exchange in Bombay had to be closed, a thing which happened in all the countries of the world. Commerce and industry were not only in efflux at that time but greatly demoralised and investments were little thought of owing to popular pessimism. But with the progress of the War, the allies made strenuous efforts to win the War and India contributed her fair share therein by supplying to the allies materials necessary for the purpose of the War, such as food-stuff, raw materials, etc. Pessimism soon gave way to optimism, which stimulated a brisk trade such as was never experienced before. The Mills and Factories in Bombay worked day and night to help the allies. An exceptional opportunity was offered to India to increase its own wealth and a new period of prosperity set in. With the abundance of wealth people allowed themselves to be drawn into a variety of transactions of a highly speculative character. Owing to Government control, those who previously indulged in speculation of Bullion, rice, seeds, wheat, sugar, etc, found in the Stock Exchange a new outlet as substitute for the others for indulgence in speculation and gamble. Dalal street was then so much crowded with such people that the public found it difficult to pass by that street. All the phenomenal prosperity found vent in a variety of speculative investments. The large wealth that poured in stimulated the avarice of thousands, who flocked to the Share Bazaar. Lastly, fabulous sales and purchases of shares of all kinds were daily in vogue. There would be "lightning" rises and falls to take one's breath away.

Mr. M. A. Haveliwala while proposing at the Bombay Legislative Council the appointment of an Enquiry Committee remarked as follows:—

> "Bombay merchants made large fortunes, and curiously enough, the last war of 1914-1919 presents a parallel as in the time of the American Civil war. Bombay merchants made large fortunes just about the time in 1914-1919 undoubtedly and went in for wild speculation in all the commodities, including the landed properties in the city of Bombay, and the Share Bazaar soon became a centre of attraction for all. Tradesmen, professional men, and even the clerks and the peons in the offices, distracted their attention from their legitimate avocations of life and played out their money on the Stock Exchange with a view to get rich quickly. In the result, scores of companies were floated and people were allowed to go in for those shares at high premium by the adventurers or the so-called promoters of the joint stock companies. The events of the last two years show as to how many companies have come to grief and it is a common knowledge that hundreds of people are ruined owing to their inability to pay up call moneys."

Mr. S. J. Gillum, presiding at the annual general meeting of the Imperial Bank of India (then the Bank of Bombay) in 1920, said:—

> "Although India has greatly strengthened her economic position during the last year or two, it is not certain that her new found resources are being applied in a rational manner toward the development of her commerce and industry. Last year my predecessor sounded a note of warning to investors against rushing into every new venture that was put on the market and the warning seems still necessary. New companies are being registered on a greater scale than ever, 906 were registered during the year with an authorised capital of Rs. 274 crores compared with 291 companies the previous year with a capital of Rs. 21 crores. Where new capital has been invited to extend industries already established on a profitable basis, the public are justified in responding fully

to the invitation, but some new companies are now being promoted which have very little prospect of ever becoming successful. Japan has lately provided an object lesson of a sharp re-action following a period of unexampled prosperity."

Speculation was indulged in on a gigantic scale during the boom, simply because the people had lost their heads. Those, who had until then, kept aloof from the Share Bazaar as well as those, who had previously never dealt in shares of any description, now began to buy shares of new companies. To-day, there must be thousands of people all over India who hold more or less industrial shares at prices, which in quiet and normal times, they would never have dreamed of buying and considered it insanity to touch. That boom was in reality their nemesis.

Further explanation has been given at our General Meeting convened on 29th October 1923, which we need not repeat here but crave leave to draw your attention thereto. It was also stated at the said meeting that the local English and Foreign banks dealing with our members to the extent of lacs of rupees have at no time made any complaint or made suggestions regarding the working of our Association. Why ? Because they had no reason to do so. These banks have been selling and purchasing shares worth lacs of rupees for years and years past, but we have never heard or known that they have lost their confidence in us. The Central Bank of India, Ltd., and Messrs. Place Siddons and Gough of Calcutta have the largest dealings with several members of the Association. From their letters, copies of which are given in appendix 43, it is quite clear that they have no complaints to make against the Association or its members. This is a clear indication of the fact that those who do *bona fide* business have no cause to complain against us. It is only those, who with a view to getting rich quick went headlong into gambling transactions on a large scale that have raised a loud clamour, because they failed to achieve their fond object. It is natural, and *bona fide* investors should rejoice that such fortune hunters and gamblers have been greatly on the wane in our Bazaar. We therefore believe beyond the shadow of doubt that the *bona fide* investing public have no grievances whatever against our Association. We beg to refer to paragraph 2nd at page 11 of the report of our General Meeting held on 21st August 1923 and to the last paragraph of the letter written to His Excellency on 18th July 1923.

After the period of the boom was over in 1920 a very great slump indiscriminately in the prices of all kinds of shares was experienced. A reference to appendix 1 will show at what prices some of the shares were quoted on the re-opening of the bazaar in January 1915, at what prices in 1920, at what prices at present and the highest price they touched during boom period. It will clearly indicate the zenith and nadir of certain well-known stocks.

Under these circumstances so long as specific charges are not levelled against us and we are not informed as to the complaints of the public against us, we do not see the necessity of putting any defence. We are here simply trying to give an explanation regarding the misrepresentations, which have been made in the public. The remarks made by Mr. Naoroji M. Dumasia in the Legislative Council regarding our Rules and Regulations were absolutely unjustifiable. It was not unnatural that members of the Council having no knowledge of the Share Bazaar were misled by his inaccurate and meaningless remarks. If you were to sift our Rules and Regulations as well as our usages and customs, you will be convinced that there is not an atom of truth in such remarks. We have of course gone on altering our Rules and Regulations from time to time as we acquired experience and felt the necessity of so doing. At present we have prepared a draft of all our Rules and Regulations, a copy whereof is sent herewith, suitable to the present times. Out solicitors Messrs. Payne and Co. have made additions, alterations and changes in these rules after careful consideration, after examining whether they are in conformity with the law and whether they are reasonable or not. We shall be too happy to welcome any practical suggestions which the Enquiry Committee may make with regard to our new rules.

When the resolution for the appointment of an Enquiry Committee regarding the Share Bazaar was moved at the Legislative Council, several facts were misrepresented, such as "Unlike the London Stock Exchange, any body who purchases a membership card at the auction sale can on a deposit of Rs. 30,000 become a member of the Stock Exchange and no certificate as to the status or character is needed." We have cleared up this matter in our letter to His Excellency dated 18th July 1923 in the last paragraph at page 4 thereof.

It was owing to such a misrepresentation of facts and to none in the Council being sufficiently conversant with the true facts that this resolution came to be adopted. We believe that such a resolution would never have been passed, had the true facts been placed before the Council. Rao Bahadur G. K. Chitale remarked in the Legislative Council "Sir, because certain people have been gambling in shares, and because their operations are likely to bring ruin to others, to my mind that is not a very good ground or proper occasion on which this House should pronounce a definite opinion. After all, a *good many of my Honourable friends to whom I have spoken know nothing about this matter*. We have never gambled. We do not know what are these shares and these bears and these bulls. We merely invest a little money and we get our interest. Who gambles in them God alone knows."

Though Mr. Naoroji M. Dumasia is a member of our Association he had no warrant to make the unreasonable and unjust remarks which he did against the Association at the Legislative Council. The resolution which was proposed by the Board at our Extraordinary General Meeting held on 25th October 1921 regarding the qualifications of a director was thoroughly reasonable (*vide* Appendix 2). Such a rule exists in all other stock exchanges. Yet ultimately only two members were against the said resolution and they were Messrs. Dumasia and Kothari. All these details will be found in the report of the said meeting given in Appendix 2. In spite of this, he made the following remarks in the Council :—

> "In order to have the monopoly of power, the board of management or what is called the board of directors, formed a caucus last year in order to shut out certain members from becoming members of the board. They therefore hurriedly passed a rule that those members who were not of five years' standing should not be eligible for election."

In truth he and his associates attended the General Meeting with a premeditated view to oppose this resolution. To cast his very words in his teeth, it was he, who was guilty of having manipulated a caucus and not the Board. But when all the facts were clearly explained at the meeting, nobody supported Mr. Dumasia. Similarly Mr. Dumasia opposed a resolution (which was lost) and which was brought before the General Meeting by the Board with a view to obtain particulars in case of corners as regards the parties and the number of shares held by them after examining the books of the members involved in such corners. Such a procedure is warranted by the New York Stock Exchange. Mr. Dumasia at no time made any suggestion to the Board or proposed any improvements and additions upon which the Board did not act. It is probable that other members of the Council might have been led astray by such misleading remarks.

With reference to the complaints regarding the closing of the Exchange the matter has been treated in detail on page 3 of our letter to His Excellency dated 18th July 1923. We crave leave to invite the attention of the Committee to the said letter.

In addition, we beg to observe that even in the Calcutta Stock Exchange 31 holidays over and above bank holidays are observed. Besides, the Exchange there, like London Stock Exchange, does not work on Saturdays. We enjoy only 14 extra holidays and work on Saturdays also.

In our letter to His Excellency, dated 18th July 1923, we have given explanation regarding the allegations against our rule as to cornering and the Board's resolutions relating thereto. Further explanation regarding the matter was given at the General Meeting held on 21st August 1923 (*vide* page 5 of the said report). Consequently we do not see the need of repeating the same explanation here. The complexity and perplexity attendant upon a corner is not a feature of the recent times, *i.e.*, they belong even to the pre-war period. Similar difficulties arose even before and they were then solved in a manner in which they are done at the present day. In spite of this at that time no cries were raised nor an agitation made. The Press was not inspired then and did not make any attacks on the Association. The settlement of the cornered shares was so smoothly and quietly done as if there was no corner needing the interference of the Committee. But now-a-days the operators of corners are big and influential men and when they see that they and their henchmen as a result of excessive speculation incur heavy losses and when they find their objects frustrated, they vent their enraged feelings against the Share Bazaar for their own rash and reckless transactions (*vide* last paragraph of our letter to His Excellency, dated 18th July 1923, page 2). They thereby try to take over the management of the Exchange in their own hands with a view to make money at the sacrifice of honest *bona fide* but inexperienced investors (*vide* paragraph 2 of our letter to His Excellency, dated 6th August 1923 at page 2). These gamblers have not succeeded in influencing us but were a tribunal of appeal consisting of members of public bodies appointed, such gamblers can easily influence them.

The rule regarding corners is dated back to the year 1910. It is not of recent times. In 1910 a corner in the shares of Manekji Petit Mills was created. At that time the business in Manekji Petit shares was stopped and the buying-in rule was suspended. The operator of the corner, Mr. Ferozeshaw Petit, bought shares of the said company at Rs. 3,950 for the current settlement and sold the same for Rs. 3,300 for the next settlement. The Board considered such business to be ruinous and passed the following rule on 19th January 1910. Mr. Petit effected a compromise with the Board and received difference from the shorts on the footing of the price of Rs. 3,800.

Board's resolution, dated 19th January 1910.

"If the Board infer that there is going to be some fraud with regard to the purchases and sales of the shares of a particular company, then at such times the Directors will intervene, and all members shall have to act according to any resolution passed by the Board of Directors and at no time a corner will be allowed to be effected."

The Board made the following addition in the above rule on 27th June 1918 :—

Board's resolution, dated 27th June 1918.

"Under any circumstances if in any instance a corner be discovered then the sales will be allowed to be carried forward to the next settlement and the maximum amount of backwardation allowed in such a case will be 3 per cent. and the applications for buying-in shares will be disposed of as follows :—

> "The parties who have got notices issued for buying-in shares of a company shall have to buy them, but if in any case the shares are not bought-in against the seller and the purchaser has received a transfer from the original seller direct agaist such notice then the shares will be considered as bought-in and the payment in respect thereof shall be made at the price fixed by the Board and which price will be approximate to the prices at which the shares were bought-in on that day and this making up price will be considered final."

Prior to the year 1919, corners in the shares of Manekji Petit Mills and Standard Mills and in the deferred shares of the Katni Cement Co., were effected and they were disposed of by the Board at that time in the same way as done now as stated above by means of settlement rates fixed by the Board and at all these times no complaint was made by any one.

The failures of Indian banks in 1913 had their effect on the Share Bazaar as many of them had vast dealings with it and resulted in the failure of some of its members. At that time even, the Board had to intervene in order to enable the Exchange to tide over the difficulties. The Board gave facilities to the brokers of these bull speculators, who were unable to take up their purchases and pay for the same to invoice back the shares. One member Mr. Jehangir Byramji who had a large holding in Manekji Petit was adjudicated an insolvent and if under these circumstances his holding-in shares were allowed to be sold out under the rules and regulations, then and in that case the Board apprehended that a crisis would be inevitable and so the Board intervened and persuaded the members who had sold Manekji Petit shares at about Rs. 3,200 to repurchase them at Rs. 2,600 (the market price then was Rs. 2,000) and the members respected the Board by acting up to its suggestion (*vide* Appendix 3). These very shares they had to sell back at Rs. 1,800 to Rs. 2,000 and thereby incurred heavy losses, in the interests of the Exchange and the public. The public will have an idea of the high commercial morality prevailing in our Exchange. From this instance the Enquiry Committee will find that our members who had sold Petit shares at Rs. 3,200 on account of banks or their clients had to repurchase them at Rs. 2,600 and then they had to re-sell them at Rs. 2,000, thus suffering a loss without any fault of theirs of Rs. 1,200 on each share. And this was done by every member at the request of the Board in order to maintain the prestige of our Association (*vide* Appendix 3). In some instances the clients re-bought the shares at Rs. 2,600 in which cases the loss of the brokers was reduced from Rs. 1,200 to Rs. 600 per share. With the exception of the Central Bank, no other bank, who had dealings in them, re-bought the shares from our members and they had to suffer the full amount of loss.

Similarly, if in future, the operator of a corner fails and is unable either to take delivery of the shares or to pay difference in respect thereof, then a crisis is sure to overtake the bazaar. The public has nothing to lose and in case of such an event, the Stock Exchange will have to suffer the losses as it happened in the case of Petit shares, when members had to suffer the same. Consequently much injury would be done to members, because they, being in the position of guaranteed brokers, are bound to pay their clients fully even though the purchasing party fails. When such is the case where is the harm if the Stock Exchange takes proper steps for its protection and safety, keeping the control of such matters in its own hands ? The safety of the investing public lies in the safety of the Stock Exchange. If the Stock Exchange comes into difficulties it is the investing public who will be the sufferers. Interest of the Stock Exchange is identical with that of the public.

There was a big spurt in the prices of shares in the year 1919 and that time shares of the Madhavji Mills were cornered. The Board consequently amended the resolution of 19th January 1910 and passed the following resolution on 31st October 1919. The words italicised were added to the resolution of 19th January 1910.

The resolution dated 31st October 1919 above referred to.

"The Board amends this day the resolution of 19th January 1910 and resolves that :— If the Board infer that there is going to be some fraud with regard to the purchases and sales of the shares of a particular company, then at such times the Directors will intervene *and fix such rates as they think proper for the said shares* and all members shall have to act according to any resolution passed by the Board of Directors, and at no time a corner will be allowed to be effected."

At our General Meeting held on 5th March 1921 the above rule regarding corners was cancelled and the following rule was passed which has been in force since then :—

> "26. If the Board finds that something extraordinary has taken place with regard to the delivery of shares as well as with regard to the buying-in and selling-out of shares then the Board will take immediate measures suitable to the circumstances and all the members shall have to act accordingly.

26 (K) If a single individual or syndicate of persons enter into sales and purchase of shares (in which forward dealings are allowed) beyond reasonable limits and that if under those circumstances the Board infers that there is going to be a corner in the shares of a particular company or any other fraud connected with the dealings in the said shares, the Board will intervene and fix such rates as they think proper for the said shares.

26 (Kh) If a corner is declared by the Board then if necessary applications for buying-in shares should be granted only after receipt of the money in respect thereof."

Though the rule relating to corners is in existence since 1910 and alterations have been made therein from time to time, only one principle and policy is adhered to for the safety and protection of all parties concerned. This rule is twelve years old but no criticisms were passed against the same in the press at any time previous to the last two years. The reason is that according to our belief the present critics are those only who are responsible for the corner of shares and their followers who act on tips with blind faith in their luck. This matter is treated at greater length in the report of the proceedings of our General Meeting dated 21st August 1923 (*vide* paragraph 2, page 11). We beg to draw the attention of the Committee thereto.

From the rates of shares given in appendix 4 it will be noticed that the rates of Madhavji Mills' shares in October 1919 had very much advanced within eight working days in comparison with even the enhanced rates of shares of similar mills. This was due to the attempt *of the agents* in concert with others to corner the shares of the said mill. The Board consequently passed a resolution on 27th October 1919 (*vide* Appendix 5) and stopped forward dealings in the said shares. The settlement price was fixed and the business in these shares was safely settled in accordance with the said resolution without any difficulties.

Under the presidentship and able guidance of the late Sir Shapurji B. Broacha, Kt., the corners in Petit, Standard and Kutney Defd. and Madhavji shares were brought to a successful end and after him the Board acts in accordance with the same policy and observes the same procedures. In spite of this, interested people with a view to prejudice the public criticise our actions in the press saying that such resolutions would never have been passed if Sir Shapurji had been alive. To point the truth, the actions of our present Board are guided by the principles laid down by an experienced and able leader such as Sir Shapurji. In the Legislative Council it was said: "Unfortunately for us, those giant stock brokers and financiers, the late Mr. Premchand Roychand and Sir Shapurji Broacha, are no more; and their place has been taken by men of inferior status, inferior calibre and inferior commercial morality." This statement is far from truth. In fact, even before the time of Sir Shapurji B. Broacha, Kt., that is in the year 1896, when the late Mr. Choonilal Motilal was the President, a corner was effected in the shares of the Sun Mills Company. The *Times of India* of the 11th September 1896 wrote as follows about the above corner:—

"That almost the whole bazaar is on the losing side, whilst a *few persons connected with the company* are the actual gainers. It appears that these last have purchased for this and the coming settlement about three times the number of existing shares, sellers are quite unable to fulfil their contracts. Thus they are entirely *at the mercy of the buyers*, who would not part with the shares unless at *absurdly high prices.*"

In the Kaiser-I-Hind of the 6th September 1896, it was also mentioned, "There is a confusion in the speculation of the Sun Mill shares that is now carried on beyond the limit. On the one hand bears have made sales much more beyond the number of subscribed shares, and on the other hand two wealthy speculators have come forward to buy shares which have no real existence. It can be assumed that the bears have no reckoning of how many shares have been sold, *but the bulls who have bought are intimately connected with this mill*, and they have knowingly, entered into a contract to buy shares in a very large number than the subscribed shares of the mill, which have no real existence."

The Sun Mill shares, quoted at Rs. 150 were by this manoeuvering quoted at Rs. 620. Eventually all the short sales were settled by the intervention of the then Chairman of the Association, the late Mr. Choonilal Motilal at Rs. 500 per share.

In 1919 when the prices of shares became suddenly very much inflated, the Board passed a resolution on 14th November 1919 fixing the maximum prices of all the shares. This resolution is given in appendix 6.

The Directors, by this resolution, fixed the maximum prices for all the securities, that were admitted to forward dealings. These maximum prices were not settlement prices or making-up prices, at which all bargains should be settled or closed. This was only a temporary measure to check the further advanced in prices. By this resolution brokers were not allowed to enter into fresh transactions among themselves at a rate higher than that fixed by the Board until further notice. This measure was no doubt of honest intention and to their minds necessary. The state of the Cotton Mills at that time was very prosperous. Those, who well knew the real position of the Mills and the profits all of them were earning, at that time, were buying all the shares even at an advance price. The game of the bulls was to raise the price through roof. In the interest of all concerned, the Board considered it advisable to place checks upon inflation till the January 1920 settlement ended.

This resolution of the Board cannot serve its objects for which it was passed, unless the buying-in rule is also suspended. At their subsequent meeting held on 19th November 1919 (*vide* Appendix 7) they passed a resolution postponing the buying-in rule to January 1920 settlement and stopped forward business from that settlement with a view to check speculation. The members of the Association believed that cash business was not a real remedy for checking speculation, that such interference with the freedom of speculation was liable to prove disastrous and that the tendency to an inflated Bull movement would rather be increased, as the year was one of great prosperity. Besides the members argued that there already existed in Bombay another stock exchange where forward business would continue at the sacrifice of their own business. The restrictions would not therefore have the desired effect at all. To the minds of the majority of the members, the resolution of the Board was an error of judgment and they sent in a requisition to convene a general meeting to consider the question as to whether the control of the maximum prices and the suspension of forward business should be set aside or not.

A general meeting of the members was held on the 18th December 1919. Several members addressed the meeting advancing arguments for and against the action of the Directors. By that time, December 1919 Settlement was completed without any difficulty whatsoever. It was pointed out that only few shares were compulsorily carried forward to January 1920. Settlement in terms of the resolution of the Board dated 19th November 1919 (*vide* Appendix 7) and consequently there was no necessity to continue restrictions any further. The meeting finally resolved by a large majority to resume forward business as before forthwith and to remove the restriction on the maximum prices (*vide* Appendix 8).

On a comparison of the rates given in Appendix 9 the Enquiry Committee will be convinced that the Board was justified in checking the prices of shares. Besides the buying-in rule was not suspended for January Settlement (*vide* Appendix 7) so that neither the bull nor the bear was ultimately a gainer or a loser by the original resolution of the Board. Is it not desirable for the safety and interest of brokers and their clients to check prices or to suspend dealings in time of crisis?

In spite of heavy fluctuations in the prices of the shares within a month between December 1919 and January 1920 settlements (*vide* Appendix 9) only two members were unable to meet their liabilities amounting to Rs. 52,779 and Rs. 47,976 respectively which are by no means large figures.

From the table given in appendix 10 it will be found that the prices in the month of April for May 1920 settlement were much higher than those of April Settlement in the month of March 1920. In spite of this big rise in prices in one month, not one member was declared a defaulter. It will also be found from the same table that the prices declined the next month in the proportion in which they had risen. The prices of June settlement in the month of May had heavily declined in comparison with the prices for May settlement in the month of April. In spite of such a tremendous fall, only four members defaulted out of whom two settled with their creditors. The bazaar experienced no crisis and the public had not to suffer anything. This is another proof as to how the Stock Exchange maintained its prestige in face of such huge speculation of the public and how it completely protected the interests of the public at the time of wide fluctuation.

Moreover as the Board thought that the rise and fall were due to natural circumstances, it did not deem it necessary to intervene.

In January 1921 the Board received a requisition from some of its members saying that a corner had been effected in the shares of Fazalbhoy Mills. At a Board's meeting held on 14th January 1921 the said requisition was considered and it was resolved that those members who were interested in the dealings of the shares of Fazalbhoy Mills should be called and that the Board should hear what they had to say in connection therewith. After hearing such members on 15th January 1921, the Board's meeting was postponed to 17th January 1921 which was again postponed to 18th January 1921, when the Board's resolution regarding the corner in this share was passed (*vide* Appendix 11). Pursuant to this resolution the settlement price of Rs. 2,155 was fixed. These shares were cornered by Seth Mathuradas Goculdas and his syndicate and the said price was fixed by way of compromise with them. The shorts paid differences on the footing of this price. The fact that there was a corner in these shares in the said settlement is borne out by the number of Kaplis (tickets), *viz.*, 14,000 applied for by the brokers of the cornering party. The Company has issued only 7,200 shares, a very large portion whereof was already taken delivery of by the said party. The available stock was very limited. After the Kaplis for February Settlement were issued the Board passed a resolution on 10th February 1921 in this matter for which please refer to Appendix 12. Subsequently a corner in these shares was completed, the price soon fell to Rs. 1,400. The operators of the corner sold to Sir Fazalbhoy Currimbhoy or his firm 6,000 shares at Rs. 1,650 C. D. (Dividend was Rs. 300). This business was done through Messrs Merwanji & Sons. On enquiry the Committee will be able to know from Sir Fazalbhoy why he was compelled to buy these shares as well as the reasons which led him to pay for these shares, a price higher than the market price. In view of this we do not say anything further in this matter. Really speaking the shorts had to suffer heavily on account of the corner in Fazalbhoy shares. How can they blame the Share Bazaar for losses which they incurred by their own business ? But they thought that the Board had run them into heavy losses by fixing a high settlement price. In confirmity with the law the Board could not give a lower rate than that which ruled at the time when corner was declared. If the Board acted in the honest belief that such was the law (and it is really so) then the allegations levelled against it by the Bears are unreasonable and unjust. In view of the fact that the cornering party had accepted the price by way of compromise they have no reason to complain. It is human nature that the cornering party should endeavour to exert influence to get a higher price in their favour.

In March 1921 a general meeting was convened to consider the scheme of Clearing House and to frame rules to govern the same, and it was then that the existing rule regarding corner was passed (*vide* page 10). It was then suggested by some members that to check the evil of cornering, the Board should give to the cornering party a settlement rate lower than the ruling rate so that the fear of loss that would result thereby would deter them from attempting a corner. In the middle of 1921, a syndicate consisting of persons having close connection with the Finlay Mills was formed to effect a corner in the shares of the said Mill. Many believed that a partner *in the Agents' firm* was also a member of the said syndicate. It was also believed that the device of declaring a low dividend was resorted to in order to enable the syndicate to corner the shares completely, when in consequence the market in these shares was depressed. Before the shares were cornered, a dividend of Rs. 25 only was declared and when the object of the syndicate was realised the Company found itself in a position to declare a dividend of Rs. 125. From the table in Appendix 13 it will be seen that while the shares of other companies began to decline in prices after October 1921 the shares of Finlay Mills went up by Rs. 200 to 300 and it became an open secret that the said shares were being cornered. At our General Meeting a suggestion was made as stated above that as a deterrent against cornering the Board should try the expedient of fixing a settlement rate much lower than the ruling rate in cases of corner. In order to ascertain whether this can be legally done, the opinion of Mr. Bhulabhai J. Desai, Advocate, was invited. He opined that the proper rate to be fixed is a rate reasonably near the last rate quoted for the said shares. The opinion is given in Appendix 14. As a matter of fact, the Board had fixed the last rate in previous cases of corners. After the opinion of Mr. Desai was obtained one of the members took the opinion of Mr. J. D. Inverarity according to which a rate lower than that touched can be fixed (*vide* Appendix 15). After this a conference of Messrs. Inverarity and Desai was held and the joint opinion of these two Counsel is given in Appendix 16. At this time a corner in the Finlay Mill shares was declared, and the resolution regarding the same was passed in confirmity with Counsel's opinion according to which it was not possible to fix a lower rate. As a natural consequence attacks against the Board's decision commenced, though that decision was shaped according to the opinion of Mr. Bhulabhai Desai. The Board was consequently unable to fix lower rates in cases of corners as a remedy to prevent corners in future. The resolution regarding the corner of Finlay Mill shares is given in Appendix 17. The cornering party themselves admitted that there was a corner in the Finlay Mills shares but they wanted that the Settlement rate should be fixed above Rs. 1,850. Ultimately a compromise was made and the Board passed its resolutions on 13th February 1922 and 16th February 1922 which will be found in Appendices 18 and 19. The first resolution was passed by a majority of 7 against 4 and the opposing members differed in connection with the rate only. The Committee will thus see that in the matters of Fazal and Finlay Mills shares, the Board did not take any wrong steps as alleged but simply acted in accordance with Counsel's opinion.

The issued capital of the Finlay Mill consists of 8,000 shares a major portion of which was already taken up by the syndicate. When a corner was declared in February settlement the Syndicate applied to the Clearing House for delivery of 9,182 shares against which only 1,156 shares were tendered. In respect of the balance of 8,000 shares the cornering party received difference only. Thus it was clear that their purchases amounted to 16,000 shares. But in fact it was still greater because many bears had covered their sales before the buying-in day. The total purchase was not less than 21,000 shares in cases of Fazal and Finlay corner. In this case the most remarkable feature was that the Syndicate contrived a device. Some of the shares which they had taken up and paid for were sold through Banks and were re-purchased through their own Brokers. Of course the Banks were innocent and quite unaware of this manipulation. In so doing their object was to realise the proceeds of the shares by delivering the shares in the market through the Banks and thereby to put the Exchange in difficulties, should a compromise regarding the Settlement rate be not arrived at with the Board.

After a corner in the Finlay shares was settled and all shares were taken up, the price of these shares fell from Rs. 1,880 to Rs. 950 in the course of one month.

Once more the Board took the opinion of Mr. Desai as to whether it was possible to give a lower settlement rate as a measure or remedy to suppress in future cornering of the character just mentioned. His opinion is given in Appendix 20. The advice given by Counsel, *viz.*, invoicing back of shares was found impracticable because had such a rule been passed a *bona fide* seller would also have been compelled to re-buy the shares sold by him. The Stock Exchange business would have degenerated into wagering and gambling. It is not at all advisable that instead of giving and taking delivery differences only should be paid. Our difficulties with regard to corners have to this day remained unsolved. We beg leave to refer to the remarks made in our letter to His Excellency, dated 18th July 1923 at pages 5 and 6 as well as to the report of the proceedings of our General Meeting of 21st August 1923 (*vide* pages 4 to 6).

In 1922 the Syndicate of Seth Mathradas Goculdas made their appearance once again on the arena. This time that body launched into speculation of not one but many scrips such as Kohinoor, David, Currim, Bharucha, Swadeshi, and Nagpur. The result was disastrous. Uptil now the corner did not as a rule end in failure. But this time the syndicate having cornered 4 to 5 scrips found considerable difficulties in meeting their liabilities. Moreover a member or two of the said syndicate having been involved in a corner on the Cotton Exchange also had to pay heavy losses. This considerably weakened the financial position of the syndicate. In consequence of their reckless transactions they had to pay very heavily even in the Share Market.

On 2nd June 1922 the Board resolved that the business in Swadeshi and Nagpur shares should not be allowed to be carried forward from August to September (*vide* Appendix 21) Settlements. No maximum rate for settlement was fixed. The Board's object was to see all the business in these shares for August Settlement squared up to tide over the difficulties. There was nothing unreasonable in this. But a question was raised by some members that the Board had no authority to stop forward business. Here there was a difference of opinion among the members themselves. In pursuance of a requisition received by the Board in this connection an Extraordinary General Meeting was convened when the matter was discussed at very great length. It was finally agreed to bring about an amicable settlement between the Bulls and the Bears. The terms of compromise were submitted by the representatives of both parties at the Board's Meeting held on 25th July 1922 (*vide* Appendix 22) and that very day they were placed before the General Meeting. These terms were confirmed by a majority of 64 against 10 (*vide* Appendix 23). At their Meeting of 26th July 1922 the Board passed a resolution allowing business for August Settlement to be carried forward to September Settlements in Swadeshi and Nagpur shares pursuant to the terms of compromise accepted by the general body. But fresh business for September delivery was as per the 1st resolution forbidden to be done till the completion of August Settlement (*vide* Appendix 24).

Uninformed and ignorent people have unduly attempted to exaggerate this question denouncing it as a wrong step on the part of the Board. The Board may have committed an error of judgment, because it was a moot point whether or not the Board had authority to pass such a resolution. No injury or injustice was done to any party by reason thereof because the Board's original resolution was to disallow within the Exchange the budli (contango) business only. Even if the old resolution had not been amended budli business would have been done privately or without the Exchange. Moreover the Bulls would have done budli business with the Bankers or financiers outside the Exchange and there would have probably been a rush of the bears to cover their sales leading to a rise of prices. The amended resolution allowed budli business to be done but in accordance with the original resolution fresh business for September Settlement was still forbidden and as a precaution against the inflation of prices by the Bulls they themselves fixed the maximum limit of prices above which they bound themselves not to do any business. The interests of both the bulls and bears were thus evenly protected. Nothing wrong had been done from the standpoint of law and our rules and regulations. Morally also there was nothing wrong. Only ten members were against the resolution at the General Meeting and even they voted not against the Resolution but only against the private fixing of the rates (*vide* Appendix 22, condition 3, and Appendix 23). At this period it was alleged by some members that one of the Directors was a member of the syndicate. This was not proved. The said Director did not give his vote when the resolution regarding Nagpur and Swadeshi shares was passed by the Board because he was interested as a broker of the Syndicate. As a Director who had some interest in the cornering of a particular scrip, he did what was right and proper by desisting from voting in that matter. In spite of this incident, the following two resolutions were passed at General Meetings. They clearly indicate how eager is our Association to put down irregularities, if any and to see when pointed out that the Board's resolutions are perfectly *bona fide* and disinterested in matters like corners. In this way we are introducing reforms from time to time in the light of new experience gained.

Two Resolutions passed at Extraordinary General Meeting above referred to—24th July 1922.

" A Director who has a direct or an indirect interest (except brokerage) in any Bull or Bear syndicate or combination formed to rig the market or who is a partner or sub-partner in such syndicate or manages the business of such syndicate or who is a responsible representative of such synidicate shall forthwith tender his resignation as a Director. And the Board will decide as to whether any Director is so interested or not and the decision of the Board shall be final. "

28th October 1922.

" To-day's Meeting resolves that if it be found that one or more members of the Managing Committee works or work against the interest of the Association, the General Meeting or Extraordinary Meeting of Members will remove such member or members from his or their office or offices for the residue of his or their term or terms of office by a two-third majority of the members present if he or they after hearing his or their defence be found guilty and in this connection the decision of the General or Extraordinary General Meeting shall be final."

On 21st August 1922 the closing prices of the shares of David and Currim mills were Rs. 1,990 and 2,190 respectively. On the opening of the market the next day the Syndicate began to rig up the market in these shares by a process of matched orders and as a result of it, within half an hour the prices of David and Currim mill shares rose up to Rs. 2,300 and 2,500 respectively. At that time there was such heated excitement in the market that it is difficult to imagine what disastrous consequences might have ensued. But luckily at that moment the then Secretary by virtue of the authority vested in him at once closed the market. Mr. Navroji Dumasia had till this event consistently advocated the cornering party and written in the *Times* in favour of the Bulls. This indomitable champion of the Bulls who at our General Meeting held out a threat that if the contango business in Nagpur and Swadeshi shares would not be allowed (as per resolution, *vide* Appendix 21) he would disobey the orders of the Board and do such business, appeared at the Board's meeting as the spokesman of the Bears and urged the Board to take strict notice of the Cornering party, who were actually plucking the geese of the investing public. The incident shows the extent to which the Cornering party had excited the feeling of the public against themselves. On 25th August 1922 the Board declared a corner in the shares of David and Currim mills (*vide* Appendix 25) and on 11th September 1922 the maximum rate for buying-in was fixed (*vide* Appendix 26.)

From the register of the Kaplis (tickets) it is found that delivery of 22,705 and 21,822 of the Currim and David shares respectively was demanded. A notice relating to this was posted on the notice-board by the Secretary on 2nd September 1922 (*vide* Appendix 27). According to the Clearing House report 5,080 and 4,777 shares of Currim and David mills were delivered (*vide* Appendix 28). It may be mentioned here as a fact to be carefully remembered that shares actually issued by David and Currim mills numbered no more than 7,800 and 8,800 respectively. Pursuant to the resolution given in Appendix 25 the Board resolved on 20th September 1922 to allow the business of October Settlement to be squared up (*vide* Appendix 29).

The following details will not only show how fictitious were the prices of David and Currim shares but serve the purpose of arriving at an estimate of what should have been at that time their valid prices. The Syndicate was unable to take up and pay for all these shares and hence they had no alternative but to sell all the David shares to Messrs. E. D. Sassoon & Co. at Rs. 1,350 each. The Syndicate would not have been able to realise even this price. But taking into consideration the fact that the purchase of all these shares would bring to Messrs. E. D. Sassoon & Co., the agency of the David Mills, this price was obtained by the Syndicate. A large number of shares of the Currimbhoy Mills was also mortgaged to Messrs. E. D. Sassoon & Co., out of which 4,000 shares were afterwards sold to Sir Fazalbhoy at Rs. 1,000 each. It is natural that with the breaking up of the Syndicate a bearish sentiment should set in on the Exchange; and with a view to arresting a bear raid and preventing a possible crisis the Board by its resolution dated 3rd October 1922 fixed the minimum prices of those shares in which the Syndicate had a large holding (*vide* Appendix 30). The Syndicate was unable to pay money into the Clearing House according to our rules and regulations in respect of their purchases. To safeguard all interests involved and to afford facility to the brokers of the Syndicate, the Board resolved on 11th October 1922 that *pro rata* delivery should be given (*vide* Appendices 31, 32 and 33). From the Board's resolution dated 17th October 1922 given in Appendix 34 the Committee will see that the Syndicate was really not in a position to pay for all the shares that required to be bought-in. Hence all such shares were not bought-in on their account. A Settlement rate for these shares was fixed which was near the average rate (*vide* Appendix 35) at which the shares were bought-in.

Some believe that the Board always encourages the bears by fixing a maximum price to the exclusion of protecting the interests of the Bulls. The above resolutions (*vide* Appendices 30 to 34) show clear enough that the Bulls were given all sorts of facilities whenever it was desirable and expedient with the object of preventing a crisis. Similar facilities were afforded to Bulls as already described hereinbefore at the time of failures of Indian Banks and at the time the last European War broke out. In order to meet his liabilities, Seth Mathradas was constrained to sell his share of the commission in the Agencies of five mills under his *able* management to Sir Fazalbhoy for Rs. 50,00,000 (fifty lacs). Besides this he had to sell to Sir Fazalbhoy 4,000 shares of the Currimbhoy Mills at Rs. 1,000 and 1,000 shares of the Bradbury Mills at Rs. 1,200. *Mr. Mathradas having thus discharged his liabilities most honourably which was highly creditable to him and his high sense of commercial morality,* nothing extraordinary transpired on the Exchange. But it may be reasonably asked as to what might have happened had these Syndicates been unable to cope with their liabilities? The answer would be nothing short of a crisis—A crisis would have occurred of a disastrous character in which many innocent might have been engulfed. We have to give consideration to such events happening and we see an ever increasing necessity of taking strict precautions and measures against repetition of such events.

A transfer of Mill Agencies is not very often to the advantage of the public. The public invest their savings in the shares of a company in whom they feel complete confidence by reason of the capability of the management. How may the interests of the shareholders be safeguarded when transfers of Mill Agencies take place in consideration of outside financial transactions? What may happen if the new Agents lack the capacity to manage the mills efficiently even with all their reputed wealth. It is obvious that the interests of shareholders of companies so managed cannot but be seriously prejudiced. In this particular case the shareholders have nothing most probably to lose because the Agencies have passed out into the hands of a talented businessman like Sir Fazalbhoy.

In spite of the distressful and financial disasters consequent on last year's corner, such has been the confirmed gambling spirit in shares that, this year even a Syndicate was formed to corner the Kohinoor Mill shares. Is it in the material and moral interests of the investing public that cliques of wealthy capitalists or Syndicates should have a place on the Stock Exchange for carrying on their cornering and other kindred operations. Speaking the naked truth the creation of such a position would signify a kind of daylight dacoity for the purpose of ruining ignorant and unsophisticated investors in order that this species of gamblers in shares may enrich themselves. And yet, judging from the scope of reference this is what a virtuous government is trying to do.

In the Legislative Council Mr. M. A. Havelivala said :—

> "Growth of facilities for lending money on the security of these shares in Bombay has contributed not a little towards encouraging this gambling on the Stock Exchange on a very wide scale and, Sir, if our Financiers and Indian Princes, instead of financing and helping these operators on the Stock Exchange and earning a fair return out of such transactions for their investment, were to invest their money in solving burning questions for which capital is mostly needed, for example, the housing accommodation, they not only would be getting a fair return for their capital out of such investment but also would earn the gratitude of the public at large."

Some people demand that the rule relating to corners be rescinded and that the Board should refrain from intervening in cases of corners. Others are of opinion that the Cornering party should not be penalised but that the Settlement rate should be fixed much below the ruling rate. There is nothing to be surprised at in the suggestions which all emanate from selfish motives alone. But the Stock Exchange has a higher and altogether unselfish service to render to the investing public. The Board cannot consider this question of a corner merely in the interests of the selfish. Justice and fair play are the prime motives of the functions they are entrusted with. Our difficulty is to device means which are not only workable but which effectually prevent the gross evils to society which cornering has so luridly brought to light.

Our existing rule of corners is reasonable and legal in the light of our experience. We sincerely believe that we have acted in conformity with the best legal advice. We further believe that we have so far protected our own as well as the interests of the public. If further improvements or alterations of a really practical nature are suggested by the Committee we shall gladly consider how far they can be put into effect (*vide* page 4, Report of General Meeting, dated 21st August 1923). In the London as well as in the Provincial Stock Exchanges there are similar rules to suspend buying-in of securities. These rules are quoted in Appendix 36. At this stage we beg to call the attention of the Committee to rule No. 87(2)c of the Glasgow Stock Exchange (*vide* Appendix 37).

The Hughes Commission also recommended that: "The Stock Exchange might properly adopt a rule providing that the Governor shall have power to decide when a corner exists and to adopt a settlement price so as to relieve ignorant persons from the injury or ruin which may result therefrom. The mere existence of such a rule would tend to prevent corners."

The Honourable Justice Mr. Walter S. Schwabe, Chief Judge of His Majesty's High Court of Madras, says: "The remedy by buying-in may be suspended by the Committee of the Stock Exchange, and has been so suspended in cases where, owing to some fraud or rig or from some other causes there are no securities available for delivery."

The Stock Exchange is in absolute need of such powers for the safety and protection of its members and their clients the public. Laymen innocent of Stock Exchange rules pass criticisms which are negligible. Were the Stock Exchange divested of the powers in this connection it will be an easy game for the Syndicate to play their own game. Having regard to the capital of most of the Companies, say, from 10 to 20 lacs manipulating a corner is very easy. If once the bears are thus driven out of the market, it will be hard to maintain a free and broad market. To keep a free market the law is even disregarded by London Stock Exchange

The Honourable Justice Mr. Walter S. Schwabe, Chief Judge of His Majesty's High Court of Madras, says: "It has become the practice or custom on the Stock Exchange to disregard Leeman's Act simply because it undoubtedly hampers free dealings in Bank Shares. Bargains which for non-compliance therewith are void, are nevertheless enforced by the Committee." Mr. Seymour L. Cromwell, President of the New York Stock Exchange, recently said in his speech : " The Stutz incident furnishes a good illustration of the importance of the power of the Governors to take summary action in either suspending trading or removing from the list a security which is *dominated by one interest.* When, as in the Stutz case, the price is artificial the Stock Exchange quotations are giving the wide currency to a lie. The continuation of the lie which says in effect that the consensus of opinion of the investing public was that the Stutz was worth dollars 400 a share, when in fact it was actually worth, according to judgments registered in a free and open market less than dollars 100 a share, might have gone indefinitely had the action of the Stock Exchange been hampered by official red tape. "

Mr. Samuel Untermyer, Counsel to the Lockwood Legislative Committee, said last year : " The public is entitled to know whether they are buying in a free market or in one that is being operated by a pool or Syndicate. "

Mr. J. Edward Meeker, Economist to New York Stock Exchange, says : " The interest of the Stock Exchange is identical with that of the public in maintaining on its floor a market for securities which shall at all times be free and open. . . . . It is particularly necessary when the free and open market for a security has been destroyed by the establishment of a " Corner " in it that, for the protection of the public, trading in it should quickly be halted on the Exchange. Corners are more difficult of exact definition than might at first appear. A partial corner in a security may occur when a single individual or group of individuals gain possession of either a large majority or all of its floating supply. A complete corner arises from such an ownership of all or almost all of the outstanding amount of a given issue. When such a situation develops, anyone short of the security (and therefore under the necessity of purchasing it) is at the mercy of those holding the corner, who can either extort a premium from him on the stock he has borrowed to deliver to the original purchaser, or to purchase, or to compel him to buy in his short stock at an exorbitent figure. In the ordinary course of trading the possibility of a premium being charged on stock when borrowed, as well as that of its price rising, are in themselves strong safeguards against the creation of an excessive short interest. But when the remedy becomes more dangerous than the disease, it is the Stock Exchange's view of the matter that what was a slight and necessary economic readjustment becomes a deliberate and premeditated attempt at extortion by a few individuals, which is contrary to the just and equitable principles of trade. The Exchange accordingly acts to halt the offence by suspending dealings in the cornered security. . . . . The conditions which commonly necessitate this drastic action, have been clearly stated by an eminent ex-president of New York Stock Exchange:

" Our experience of many years as Governors of the Exchange and the experience of previous Governing Committee, is that a small amount of stock in the list leads to a condition that is dangerous to ourselves and to our customers, the public ; and therefore in order to obviate the danger, when in our opinion that condition has been reached, we remove the stock from the list or suspend it from dealings. . . . . The danger may arise from two causes. A small quantity of stock is more easily subject to manipulation than a large quantity, and by means of manipulation people may be induced to buy stock at very much greater prices than it is worth. The other danger, which of course is the greatest one we fear is the subject of a corner in the Stock which not only hurts the broker and his customer but demoralizes the whole country, the Northern Pacific corner being a case in point."

There are some who complain that the Board does not take speedy action with regard to corners. Our reply is that it is not at all desirable to intervene every now and then on occasions of ordinary Bear squeeze. The Board intervenes only when the cornering party engineers to throttle the Bazar and extort a high backwardation from shorts or demand a fictitious price to re-sell the shares. So long as the party holding corner keeps the market free by selling his holdings at a fair and reasonable price, there is no need to intervene.

From the summaries of the Clearing House in respect of Finlay, David and Currim shares corner given in Appendix 38, it will be seen that the short interest was well distributed over several parties and no one party had made excessive short sales considering such sales in many cases for more clients than one whereas the buyers were only a few parties who all had purchased shares for the Syndicate.

A reference to Appendix 39 will show that the prices of the newly floated Companies were fictitious. The shares of the Tata Bank were at Rs. 90 premium, when only Rs. 15 were paid and no reserve fund at all. The Tata Oil Mills share which is of the face value of Rs. 100 was quoted at Rs. 575 premium even before the erection of the machinery for the working of the Mill ! Shares of many other new Companies floated during the boom period also reached fabulous and absurd prices. Owing to this popular hysteria and frenzy to make big fortunes in a week or fortnight numerous new Companies, for every conceivable object rose like mushrooms. Shares of such new Companies were more or less underwritten by their speculative promotors or their friends and were seldom alloted. They alloted to themselves and sold to the public at high premium. To safeguard and protect the interests of the public, business in the shares of these new Companies was prohibited in the market thereby doing a great public service. A resolution of the Board to this effect was passed on 18th July 1919 which is given in Appendix 40. Rules and Regulations for granting permission for bargains in the shares of new Companies were framed and passed at the General Meeting held on 14th July 1920.

Some old running Mills owned by Messrs. E. D. Sassoon & Co., were sold to a Syndicate specially formed for 6 crores. Preference shares of the value of 2 crores and ordinary of 4 crores were issued. The vendors (Messrs. E. D. Sassoon & Co.) reserved all the preference shares worth 2 crores for themselves in lieu of part of the purchase price. None of ordinary shares of the face value of Rs. 10 each worth 4 crores were offered to the public, but the Syndicate took part of them up and sold them at a good premium. The new Company was called " E. D. Sassoon United Mills, Limited ".

Mr. Jamsetji Ardeshir Wadia, well known among textile industrialists and merchants observed as follows in respect of this new Company in the " Times of India " dated 2nd October 1923 :—

" I have estimated the capital invested in the Industry at 19·50 crores of which 4½ crores may be computed as inflation. For instance, the E. D. Sassoon combine, whose book value may be computed at about 2·75 crores, was sold to a Syndicate for Rs. 6 crores and shrewd men like Sir Sassoon David, Sir Fazalbhoy Currimbhoy, Mr. F. E. Dinshaw and others bought these shares largely and the 10 rupee share was in great demand at 75 per cent. premium. Its present value is Rs. 3 and is not in demand. "

This statement of Mr. Wadia is perfectly true. The book value of the United Mills Co., could not have been assessed at a higher value than 2¾ crores. Thus under this ingenious scheme the vendors of the old Mills converted themselves into holders of the preference shares in the new United one.

The ordinary shares taken up by the Syndicates might have been unloaded at a big premium had the Association not interfered and stopped the dealings on the market in these shares at that time. Of course, a number of these which were unloaded by the Syndicate even before the Company was registered were greedily bought by unsophisticated or ignorant investors at a high rate. No wonder their holders to-day are heavy losers. The value of 4 crores has shrunk to 1 or one-fourth. Very many similar transactions took place at the time ; in reference to the other Companies floated which soon after came to be liquidated to then great distress of their holders.

When well-known Company promoters, in spite of that astute ingenuity and astute methods could not get the help of the Stock Exchange to rig their shares, they resorted in a spirit of childish retaliation to propagating fallacious statements against that body. Any person of intelligence can easily discover for himself that the present object evidently appears to capture and control the Share Bazar in order that they may be able to play their own game unhindered. The aim and object of the Stock Exchange however is to protect the interests of the *bona fide* and helpless investing public and not to encourage the activity of the manipulating promoters and syndicates. Their interests are directly and openly opposed to those of the *bona fide* investors of modest means. Those investors have no complaint to make whatsoever against the Share Bazar.

Bradstreet's (Stock Exchange Duties) says :—

" Even more obviously it is the duty of bodies of this character to take care that the facilities which they present are not misused to the detriment of the public. A recent occurrence in connection with the manipulation of the stock of the Distilling and Cattle Feeding Co. (usually called the " Whiskey Trust ") gives point to this. The stock of that concern has been the occasion of more or less scandal ever since it appeared in Wall Street, and was admitted to dealings on the Board. When, however, as in the present instance it is alleged that ' insiders ' are ' short ' of the stock, and alleged news that the concern is to be disrupted is put forth, the inference which the whole street draws being that it was done to facilitate the covering of these ' short ' contracts—it is certainly time for interference from somebody. In this, or similar cases the duty seems to rest on the New York Stock Exchange to ascertain whether the management of such a Corporation is governed by methods or morals which justify the Stock Exchange in allowing the stock to remain upon its lists."

This ebullition of feeling on the part of " Bradstreet " shows how so-called guardians of the public watch the interests of poor investors. Incidents of the character described in the paper are of frequent occurrence here. It is however much to be wished that *Directors and Agents of Companies should religiously refrain from speculating in the shares of the Companies they manage.* It is natural that possess as they must first hand knowledge of their financial affairs they are oftener tempted than not to gamble in them. From the point of public morality such speculations are indefensible. It is not at all in the interest of the public to allow such men to capture and manage the Stock Exchange in pursuit of so unworthy an object. The Stock Exchange alone as trustee is the right and capable body to safeguard the interests of the *bona fide* investors. Let the righteous public consider the evil consequence that are certain to arise from the Stock Exchange being placed in the hands of Agents and Directors of Joint Stock Companies and their protégés. Let them ask whether their hard earned savings can ever be safe with this coterie. No sensible investor anxious for the safety of his capital would ever care to do so unless he is willing to face chill penury and suffer all hardships by reason of the loss of his capital. Nowhere in the World is a Stock Exchange entrusted to speculative or gambling Company Promoters. The Board have said so in their letter dated 6th August 1923 to His Excellency. Further explanation in this matter will be found at pages 8 and 9 of the report of our General Meeting held on 26th August 1923. The Committee's attention is drawn thereto.

From an analysis of Appendix 41 it will be discovered that the Companies in the shares of which the public principally invest through our Exchange are mostly managed by a certain group of gentlemen who are themselves agents and directors of such Companies. Is it at all desirable in public interests that a handful of gentlemen like these and others should have management of such huge financial concerns ? Is it desirable that they should become a close corporation of monopolists and tyrannise the finances of the City ? These gentlemen are certainly busy businessmen and they therefore cannot spare time and give that close and minute attention to the affairs of the Companies to the advantage of shareholders. Moreover, may it be reasonably inquired that the identical coterie are such supermen and so encyclopædic, that they can prove themselves useful to the variety of Companies of which they are directors, Companies which are more or less established for different objects as wide asunder as the poles ? Some of these gentlemen are not only Directors of Cotton Mills, but of Banks, Insurance Companies and of a variety of industrial concerns like Cement, Oil, Steamships, Rubber, Iron and Steel, Electric, Tramways, feeder railways and so on, and it may be a revelation to the public if it could be demonstrated that many of them are specialists and are practically conversant with the knowledge and experience demanded by the several Companies whose board they " grace " with their presence.

Appendix No. 42 gives a list of the names of Directors who are Agents of the different Companies and of their relations and friends who are on the respective Boards.

It will be seen that the Agents of different Companies have made their respective Boards happy family affair so that they can better wield their power and authority. It is of course notorious in Joint Stock Companies in Bombay that though Directors are formally elected in rotation by shareholders at General Meetings it is the Agents who really inspire their renomination.

Very wide powers in Articles of Association are also given to the Agents and Directors of newly floated Companies which are not calculated at all to safeguard and conserve the interests of the investing public. We beg to invite the attention of the Committee to the remarks made at the General Meeting held on 21st August 1923 in reference to the Tata Oil Mills (*vide* page 10 of the said report).

It is not desirable that the Directors of a Company should have at all any power to refuse the transfer of a fully paid-up share without assigning any solid reason or any reason whatsoever.

As stated before when Messrs. E. D. Sassoon & Co. purchased all the existing shares of the David Mills it was possible for them according to the Articles of that Mill Company to take away the Agency from the hands of Messrs. Tata Sons, Limited, on payment of a nominal compensation. Messrs. Tata Sons, Limited, did not like to give up their Agency and hence the Directors of the David Mills did not approve as transferees the nominees of Messrs. E. D. Sassoon & Co. When some of the shareholders would not sign proxies in favour of Messrs. E. D. Sassoon & Co., the matter was referred to a court of law and the proxies were obtained through the Court. In exercise of their powers the Directors of the Broacha Mills have also refused to register certain fully paid-up shares of the said Mills over which they exercise a lien. The moneys of the *bona fide* purchasers are thus locked up while the dispute remains unsettled. A suit in this matter is pending in the High Court. As a result of the experience the Board have gathered in this matter it is now deemed desirable to introduce following rules and regulations similar to the rules of the Stock Exhange, London (*vide* page 132 of Rules and Regulations of Stock Exchange, London, 1922):—

" Articles of Association should contain the following provisions :

1. That none of the funds of the Company shall be employed in the purchase of, or in loans upon the security of its own shares.
2. That the borrowing powers of the Board are limited.
3. That the non-forfeiture of dividends is secured.
4. That the common form of transfer shall be used.
5. That fully paid shares shall be free from all lien.
6. That the Directors shall have no power to decline the registration of any proposed transfer of fully paid-up shares. "

When we enforce such rules really in the interest of the general investing public, the agents and directors of some Companies absurdly believe that such enforcement is uncalled for. They are so blinded by their selfish interest that they forget the good that we try to achieve in the general interests of the public. Surely they know that the Stock Exchange does not benefit by the ruling. The gain is a moral gain secured for the investing public which neither speculates nor gambles nor is in possession of the information on which the Speculative Directors and Agents trade recklessly.

Above is a narrative of the chief events that have happened and of the application to such events, and in particular to corners, of the rules from time to time in force of the Association and the improvements from time to time made thereon in light of experience and new combination of events. If the Association has in dealing with extraordinary events happening during abnormal times committed any error in the application of the rules, nobody would be more glad than the Association itself, if that error is pointed out and any new rule is suggested for the future guidance of the Association in the matter of corners in particular, by the able President of the Committee whose long experience the Association would be glad to profit by. The Association is conscious at the same time of the fact that it is impossible to frame any rule regarding corners which will meet all contingencies because it is impossible to foresee them.

The Association will be glad to furnish any further information the Committee may from time to time require from it.

Bombay, 21st November 1923.

K. R. P. SHROFF,
President.

APPENDIX 1.

Companies.	Rates in January 1915.	Highest rates in April 1920.	Highest rates touched on		Closing rates 2nd Oct. 1923.
David	430	1,925	2,000	19th Aug. 1922	650
Ahmedabad Advance	715	3,200	3,200	13th Apr. 1920	2,100 (420×5)
Indore Malwa	126	765	890	6th Oct. 1921	570
Indian Bleaching	85	345	375	20th Jan. 1920	195
Currimbhoy	175	1,325	2,440	14th Oct. 1921	550
Colaba	1,245	3,750	3,825	15th Apr. 1920	1,260 (180×7)
Kohinoor	635	4,820	4,820	15th Apr. 1920	1,745
Crescent	77	800	845	4th Oct. 1921	285
Tata Steel (Ord.)	77	195	425	26th Sept. 1916	30
" " (Defd.)	123	1,100	1,655	23rd Aug. 1918	105
New Great	182	1,260	1,350	30th Nov. 1921	540
Phœnix	135	1,430	1,450	15th Apr. 1920	535
Finlay	230	1,675	1,880	3rd Jan. 1922	590
Fazulbhoy	365	1,975	2,185	13th Jan. 1921	850
Bombay Burma	830	855	1,300	8th Feb. 1918	360
Bombay Dyeing	535	4,300	4,300	22nd Apr. 1920	1,900 (950×2)
Century	190	1,525	1,525	15th Apr. 1920	515
Swadeshi	1,270	6,030	6,030	15th Apr. 1920	2,770 (550×5)
Nagpur	1,680	6,275	6,275	10th Apr. 1920	2,750 (550×5)
Swan	198	1,765	1,765	12th Apr. 1920	735
Broacha	....	455	560	30th Sept. 1921	235
Simplex	....	1,370	1,370	12th Apr. 1920	375
Alcock	....	1,345	1,510	9th Mar. 1920	300
Bombay Steam	181	530	610	5th Feb. 1920	110
Khatau	1,210	9,000	9,000	13th Apr. 1920	3,050 (305×10)
Morarji	1,800	6,800	7,000	22nd Mar. 1920	4,100
Sholapur	4,750	17,000	19,000	19th Oct. 1921	12,500
Kasturchand	500	3,275	3,275	12th Apr. 1920	240
Madhavrao Scindhia	110	565	565	12th Apr. 1920	75
Laxmi Cotton	1,035	4,000	5,500	24th Mar. 1923	4,850
Tata Mill	500	2,950	3,000	8th May 1920	420
Maneckji Petit	1,610	7,600	7,800	18th Mar. 1920	3,200
Framji Petit	1,210	3,700	3,700	22nd Apr. 1920	1,250
Edward Sassoon	145	785	820	14th Oct. 1921	240
Meyer Sassoon	100	570	570	28th Apr. 1920	175
Dawn	250	1,800	1,800	8th Apr. 1920	610
Globe	30	360	375	24th Jan. 1920	75
Union Flour	100	295	295	7th Apr. 1920	70
Bombay Flour	900	3,500	3,500	7th Apr. 1920	1,200
Katni (Defd.)	145	1,750	1,900	29th May 1919	390
British Burmah Petrol	2	27	33	25th June 1919	4½
Central Bank	16	46	59	6th Aug. 1919	27
India Bank	57	135	181	22nd Aug. 1919	82

APPENDIX 2.

Proceedings of the Extraordinary General Meeting of the Native Share and Stock Brokers' Association held on 25th October 1921.

This meeting was held soon after to-day's ordinary General Meeting was dissolved. Mr. K. R. P. Shroff read agenda of the work to be transacted by the said Meeting. When he was reading the following portion of the agenda, *viz.* :—

'" According to our customary rule directors are appointed from members who are of five to seven years' standing. Following the said rule appointment of directors can only be made out of members of at least five years' standing." You are requested to confirm the said resolution of the Board.'

At this time Mr. Naorozji Manekji Dumasia cried out " Shame, Shame " against which several members strongly protested and requested the President that he should be ordered to withdraw his words. Thereupon the President gave his ruling and called upon Mr. Naorozji Manekji Dumasia to withdraw his words but he declined to do so. Consequently Mr. Varjivandas Tribhovandas proposed : " That Mr. Naorozji Manekji Dumasia should withdraw his words and if he declines to do that, he should be made to leave the meeting." Many others demanded the same and Mr. Naorozji Manekji Dumasia withdrew his words and apologised to the meeting. The President accepted his apology and warned him not to do like that again. Mr. Varjivandas Tribhovandas thereupon withdrew the said proposition.

Then the President moved the following resolution supported by Mr. Merwanji Rustomji Dadina :—

" According to our customary rule directors are appointed from members who are of five to seven years' standing. Following the said rule appointment of directors can only be made out of members of at least five years' standing."

Lengthy arguments for and against the said resolution were made by Messrs. Naorozji Manekji Dumasia, Tulsidas Monji Vora, Jugjivan Ujamsey, Chhotalal Maganlal Kothari, Fulchand Velji, Jamnadas Khushaldas and K. R. P. Shroff. On putting the resolution to vote it was declared passed by a majority of 45 to 17 votes, whereupon five members Messrs. Naorozji Manekji Dumasia and others by a written application demanded poll. The President said, " As a favour and as a special case, but not as a rule or a precedent, I allow the poll to be taken just now." But when the names of the five members were read, it appeared that one of them Mr. Motilal Dayaram was not present. The President expressed his desire to give them one more opportunity but as Messrs. Chhotalal Maganlal Kothari and Naorozji Manekji Dumasia were unable to obtain the signatures of five members on their application, the President declared the above resolution as passed. After the resolution for thanking the President proposed by Mr. Manekji Pestonji Bharucha and seconded by Mr. Merwanji Rustomji Dadina was passed, the meeting dissolved.

APPENDIX 3.

Board's Resolution dated 27th October 1913.

By order of the Board I beg to notify to all members that on persuasion by the Board all those members who are linked together in connection with the business for Moorat settlement of Manekji Petit Mill shares have unanimously agreed by their own will and pleasure in the presence of the Board that they will settle the said business among themselves at Rs. 2,600. Upon this the Board begs leave to declare that all members should without disputing anything invoice back their purchases and sales with their own parties, whereby the Board believes all confusion in the shares of Manekji Petit Mill for the Moorat settlement will be removed.

APPENDIX 4.

Companies.	Rates on			
	2nd Jan. 1919.	2nd July 1919.	11th Oct. 1919.	27th Oct. 1919.
Manekji Petit	2,300	2,625	3,000	3,000
Central India Spinning	2,275	2,680	2,885	2,940
Swadeshi	2,045	2,415	2,850	2,920
Madhavji	2,035	2,475	3,150	3,650

APPENDIX 5.

Board's Resolution dated 27th October 1919.

With regard to the matter of the Madhavji Dharamsi Mills, the Board resolves that no business either for cash or for Moorat (November) settlement in the shares of the said Company should be done at a price higher than Rs. 3,650 and for December settlement at a price higher than Rs. 3,700.

After December settlement the forward business in the shares of the said mill is prohibited.

APPENDIX 6.

Board's Resolution dated 14th November 1919.

This day the Board has resolved that till further notice no member shall do business either for cash or for December or January settlements at prices higher than those stated below :—

Companies.	December vaida or cash.	January vaida.	
	Rs.	Rs.	
Ahmedabad Advance	1,800	1,820	c. d.
Bombay Cotton	900	910	
Bombay Dyeing	2,375	2,400	
Bombay United	1,460	1,475	
Century	820	830	
Central India Mill	3,250	3,280	c. d.
Colaba Land	2,450	2,475	
Crescent	390	395	c. d.
Currimbhoy	710	717-8	c. d.
David	1,290	1,305	
Fazulbhoy	1,260	1,272-8	c. d.
Finlay	970	980	
Indian Bleaching	280	282-8	c. d.
Indore Malwa	450	455	c. d.
Kohinoor	2,440	2,465	
New Great	620	627-8	
Pearl	865	875	c. d.
Phœnix	850	860	
Sir Shapoorji Broacha	325	330	
Simplex	905	915	
Swan	1,020	1,030	
Swadeshi	3,080	3,110	x. d.
Alcock	1,100	1,115	
Bombay Burmah (Old)	1,040	1,050	
„ „ (New)	420	425	
Tramway Ordinary	880	890	x. d.
Bombay Steam	540	545	x. d.
Bundi Cement	56	56-8	x. d.
Central India Mining	86	36-8	
Indian Cement	735	742-8	cum right.
Katni Cement (Ord.)	340	345	x. d.
Shivrajpur	41	41-8	
Tata Steel (Ord.)	250	252-8	
„ „ (Defd.)	1,340	1,352-8	
Hydro (Ord.)	1,380	1,395	
„ (New)	800	810	

APPENDIX 7.

Board's Resolution dated 19th November 1919.

1. This day the Board resolves that, as at present very heavy speculation is indulged in and as it is apprehended that a cornering is likely to take place in the shares of many companies, the Board stops for the *safety of brokers and their clients* all forward business from 5th January 1920 and from that date allows cash transaction only. No one shall carry forward his dealings from January to February settlement.

2. All parties should settle according to their contract price all the business that has been done for the current December settlement and if the purchaser issues a kapli (ticket) and demands the share the ultimate seller will deliver the same. But in all cases in which he is incapable of delivering the share, then the ultimate and all intermediate sellers shall compulsorily carry forward with their purchasers at the even rate the business in all such shares, but the seller shall have to deliver the shares in January settlement in default whereof the purchaser will buy-in such shares against the seller.

3. The Board will according to our rules and regulations suspend the buying-in of the shares of those companies in which it infers a corner to have taken place.

APPENDIX 8.

Resolution of the Extraordinary General Meeting dated 18th December 1919.

1. To-day's Extraordinary General Meeting resolves that from 19th December 1919 forward business should be continued as usual.

2. To-day's Extraordinary General Meeting resolves that it is not necessary now to have the control placed on the prices of shares continued any more and so from to-morrow business should be resumed at market prices.

APPENDIX 9.

Names of the Companies.	Controlled rate January settlement.	Buying-in-rate January settlement.
Ahmedabad Advance	1,820 c. d.	2,200
Bombay Cotton	910	1,100 x. d.
Bombay Dyeing	2,400	3,080
Bombay United	1,475	1,790
Century	830	975
Central India Mill	3,280 c. d.	4,100
Colaba Land	2,475	3,095
Crescent	395 c. d.	575 x. d.
Currimbhoy	717-8 c. d.	1,060 x. d.
David	1,305	1,430
Fazul	1,272-8 c. d.	1,500 x. d.
Finlay	980	1,250
Indian Bleaching	282-8 c. d.	370
Indore Malwa	455 c. d.	700 x. d.
Kohinoor	2,465	3,250
New Great	627-8	880
Pearl	875 c. d.	1,080 x. d.
Phœnix	860	1,095
Sir Shapurji Broacha	330	385
Simplex	915	1,115
Swan	1,030	1,240
Swadeshi	3,110	3,850
Alcock	1,115	1,180
Bombay Burmah (Old)	1,050	950
,, ,, (New)	425	..
Tramway (Ord.)	890	1,055
Bombay Steam	545	560
Bundi Cement	56-8	66
Central India Mining	36-8	36
Indian Cement	742-8	630
Katni Cement (Ord.)	345 x. d.	350
Shivrajpur	41-8	43
Tata Steel (Ord.)	252-8	220
,, ,, (Defd.)	1,352-8	1,135
Hydro (Ord.)	1,395	1,205
,, (New)	810	..

APPENDIX 10.

Rates for 1920, April, May and June Settlements.

Companies.	Lowest Rates, March 1920.	Highest Rates, April 1920.	Lowest Rates, May 1920.
Kohinoor	3,560c.d.	5,105c.d. *i.e.*,4,730x.d.	3,230x.d.
Fazulbhoy	1,570	1,975	1,590
Simplex	1,105	1,370	710

Companies.	Lowest Rates, March 1920.	Highest Rates, April 1920.	Lowest Rates, May 1920.
Central India Spinning	3,950	6,275	4,290
Swadeshi	3,950	6,030	4,260
Pearl	1,070	1,540	1,120
David	1,430	1,950	1,300
Swan	1,220	1,760	990
Finlay	1,100	1,705	1,010

APPENDIX 11.

Board's Resolution dated 18th January 1921.

There is a likelihood of a corner existing in the shares of Fazulbhoy Mills considering its business for 1921 February settlement and in view of the difficulties that may arise in connection therewith the following resolutions are passed :—

(1) No member shall do either cash or forward business for 1921 February settlement in the shares of Fazulbhoy Mills at a rate exceeding Rs. 2,155 till the 1921 February settlement is completed.

(2) No member shall do business in the said shares for 1921 March settlement till the 1921 February settlement is completed.

(3) No member shall carry over business in the said shares from February to March 1921 and any member who does not act accordingly will be treated as having violated our rules and regulations.

(4) The auction for purchase (buying-in) of the said shares for 1921 February settlement shall not be allowed at a rate exceeding Rs. 2,155.

APPENDIX 12.

Board's Resolution dated 10th February 1921.

After perusing the requisition of members Messrs. Jamnadas Khusaldas, Dinshaw Bapuji Dadiburjor, Lalubhai Nagardas and Bhawan Shriram and other 46 members, it was resolved that they should be given the following reply :—

1. "After examining our register for kaplis (tickets) relating to Fazulbhoy Mill shares the Board is convinced that a corner in the said shares has been effected in the current February settlement but the Board does not deem it advisable to make any alterations in the maximum price of Rs. 2,155 which has been fixed for buying-in of such shares and after thoroughly considering the matter does not make any changes therein."

2. (*k*) Then in the same matter it was further resolved that after the completion of the payment of differences in respect of the current February settlement no member shall do forward business for March and subsequent settlements in the shares of Fazulbhoy Mills and the cash business in the shares of the said Company will remain open.

The notice in this matter should be posted by the Secretary on the next day after payment of differences for February settlement is over.

(*kh*) And it was resolved that the Board will at its meeting on Tuesday 15th February 1921 as an exceptional case fix making-up prices of Fazul for the outstanding purchases for which buyers did not issue tickets.

APPENDIX 13.

Highest rates in each month from January 1921 to February 1922.

1921.	Finlay.	Swan.	Pearl.	David.
January	1,185	1,165	1,155	1,765
February	1,120	1,105	1,030	1,660
*March	730	720	785	1,395
April	1,015	995	1,095	1,650
May	1,155	1,135	1,200	1,670
June	1.240	1,230	1,240	1,745
July	1,350	1,425	1,535	1,920
August	1,410	1,362½	1,505	1,895
September	1,520	1,500	1,495	1,830
October	1,600	1,515	1,645	1,875
November	1,810	1,495	1,380	1,715
December	1,845	1,500	1,342½	1,635
1922.				
January	1,880	1,470	1,182½	1,560
February	1,240	1,425	1,157½	1,520

* Lowest rate in March.

APPENDIX 14.

The Native Share and Stock Brokers' Association.

OPINION.

I have been asked to advise the Native Share and Stock Brokers' Association as to what is the fair rate to be fixed for the price of a share of Company. Under the circumstances stated at the conference, by virtue of powers conferred upon the Board under Rule 26 (*k*). The said Rule may be translated as follows : If a single individual or a syndicate of persons enter into sales and purchases of shares (in which forward dealings are allowed) beyond reasonable limits and that if under those circumstances the Board infers that there is going to be a corner in the share of a particular company or any other fraud connected with the dealings in the said shares the Board will intervene and fix such rates as they may think proper for the said shares.

I understand that the said Rule was accepted after considerable discussion by the whole body of the members of the Association. Apart therefore from the question whether the said Rule is valid there is no doubt that the Board before acting on the said rule should act reasonably and fairly towards all the parties. It appears to me that any action of the Board which may savour of malice or undue partiality is likely to be questioned on the ground that such decision was not *bona fide* arrived at in the interest of the whole body of the members of the Association. Literally construed the Rule empowers the Board to fix Rs. 60 for a share the Market value of which touched Rs. 1,000 rate, but in my opinion, the proper rate to be fixed would be a rate reasonably near that which was touched when the Board decided to take action. To fix a rate substantially lower than the rate last quoted would be to inflict injustice on a large number of dealers who may not be concerned or interested in the supposed syndicate. Whereas therefore it is right on the one hand to stop further forcing up of the price of the said shares it is equally wrong to deprive persons of the benefit of dealing entered into upto the time the Board itself was not in a position to say whether or not there was a corner or unfair dealing. It is only when the Board comes to that decision that the point has been reached at which a line may be drawn.

For the aforesaid reasons I am of opinion that the proper rate to be fixed is a rate reasonably near the last rate quoted for the said shares.

1st December 1921. (Signed) BHULABHAI J. DESAI.

APPENDIX 15.

Ex parte

J. K. Vora — — — — — — .. .. Querist.

Case for Opinion.

The Querist is a member of the Board of Directors of the Native Share and Stock Brokers' Association of Bombay. This Association was constituted by a Deed dated 3rd December 1887 a copy of which is contained in the book sent herewith.

The objects of the Association are stated in Clause 15 of the Deed " inter alia " to be " to support and protect the character, status and interests of brokers dealing in shares, stock and other like securities in Bombay, to promote honourable practice, to suppress malpractices, to settle disputes amongst brokers, to decide all questions of usuage or custom in conducting brokerage business".

The Deed constitutes a Managing Committee (now known as the Board of Directors) whose powers are by Clause 21 of the Deed as follows : " That the management of business and the control of the said Association shall be vested in the Managing Committee who in addition to the powers and authorities by these presents expressly conferred upon them may exercise all such powers and do all such acts and things as may be exercised or done by the Association and are not hereby expressly directed or required to be exercised or done by the Association in general meeting ".

As the Bull operators had been artificially raising prices of shares by cornering them and this resulted in great inconvenience and loss to *bona fide* dealers in shares, the Managing Committee on 31st October 1919 passed a resolution which, translated, is as follows :—

31st October 1919.

" Amending the resolution of 19th January 1910, the Board this day resolves that :—If it is likely that any kind of fraud will be practised in the sales or purchases of any kind of shares, then at such time the Directors will interfere with regard to such shares and the Board will fix such rates as it thinks fit and every member will have to act in accordance with the resolution passed by the Board of Directors at such time and at no time will shares *be allowed to be cornered.* "

At an Extraordinary General Meeting of the Association held on 5th March 1921 the above resolution was cancelled and the following resolution was passed :—

> " If any person or syndicate composed of more persons than one will enter into an excessive number of sales or purchases of shares for any Vaida and under these circumstances if the Board will suspect fraud or cornering, the Board will interfere and will fix such prices as the Board will think proper. "

It appears that recently a practice has grown up whereby certain Syndicates or private persons assisted by brokers of the Association try to corner the shares of a joint stock company and thereby force up the price so that those who have sold the shares have either to give delivery at the price they sold or to pay the difference between their selling price and the last price forced up by cornering of shares. As for instance the Bull operators begin to purchase shares of a company of which the normal price may be Rs. 1,000 and by purchasing shares subsequently at Rs. 1,100, 1,200, and so on they take the price to Rs. 1,500 so that the Bears who might have sold the shares at the rate of Rs. 1,000 may have to pay on the Vaida day the difference of Rs. 500 per share. If a company has got one thousand shares such Bull operators purchase from time to time 2,000 shares with the result that the Bears would always suffer and they would have to bear a heavy loss. We can however say that the Bull operators are not alone at fault in such cases, because if the Bears have got ready shares in their hands they can always tender them and may not have to pay any loss but the Bears always over-sell and therefore having no actual shares in hand they have to pay differences though on much larger scale than they will be ordinarily expected to do in such sales. In such cases the present Board of the Association has acted in a wise and cautious manner. If they receive a petition from any of the brokers that there is a Syndicate who is cornering shares or that there are other malpractices or that the prices are artificially forced up then the Board after making such inquiry as they deem fit and with an honest intention of safeguarding the brokers of the Association and their constituents fix the price of such shares so that no further increase may be allowed. Thus if a share of Rs. 1,000, has gone upto Rs. 1,500 they fix the price at Rs. 1,500 so that it may not go to Rs. 1,600 or 2,000. But even these precautions have proved somewhat illusory because before the Board fixed such maximum price the Bull operators force up the price rapidly so that the price fixed by the Board also works a great hardship as being too high. The Board has therefore to consider whether it should not fix any price below the price that may be ruling in the market on the ground that there is fraud, malpractice or corner. Thus if the price is forced up from Rs.1,000 to Rs. 1,500 the Board proposes to fix Rs. 1,100 or Rs. 1,200 and not the ruling rate of Rs. 1,500. They however wish to be advised whether in doing so they incur any liability and whether any seller or purchaser can sue the Board or any of the brokers for damages.

We think the resolution is wide enough to give the Board power to fix any price it thinks fit independently of what the ruling market price may be on the date it is fixed. As for the supposed liability of the Directors to an action in damages by a person who is not a member of the Association suffering loss we do not think there is any legal authority whatever for this view. But the case of a member of the Association bringing such action seems to us more doubtful, supposing the fixing of the price at a lower or higher rate than the market rate to be not justified by the above resolution. We think the Directors ought to be able to claim immunity from such action in at least those cases were in fixing the price they have acted in the *bona fide* belief that they were justified in so doing by the terms of the resolution.

We have some doubt whether the resolution passed by the extraordinary general meeting giving power to the Board to fix prices could not be impeached as being foreign to the objects of the Association. Cornering of shares and the resulting inflation of prices is undoubtedly an evil for the public at large dealing in shares and these dealings directly or indirectly affect the brokers and it is the duty of the Association "to support and protect the character, status, and interests of brokers, dealing in shares, stock and other like securities in Bombay, to promote honourable practice, suppress malpractice, to settle disputes amongst brokers, to decide all questions of usage and custom in conducting brokerage business" which are stated to be the objects of the Association.

Counsel will please advise—

1. Whether the terms of the resolution of 5th March 1921 do not empower the Board of Directors in case of a cornering to fix a price for a certain share higher or lower than the prevailing market price on the day the price is fixed.	1. In my opinion it does .. .. ..
2. Whether the Board is bound to fix in such circumstances the ruling price of the day.	2. No. If they consider the market has been rigged to create fictitious price they are not bound to fix the price at that figure.
3. Whether if the said resolution does not so empower the Board its Directors would be liable to an action in damages or other action by member of the Association or by any other person whatever, and if so, in what circumstances.	3. In the case supposed in last answer I am of opinion that they would not be liable to any action. If their decision is within their powers, no member of the Association could challenge it and it would not bind any one who is not a member or who had not contracted on the terms of being bound by the Rules of the Association and if it was not within their powers it would bind no one and so on one could be injured by it.
4. Whether the said resolution is foreign to the objects of the Association and if it is, whether it is not void on that ground.	4. In the case supposed in answer I am of opinion it would be within their power.
5. And generally.	5. I believe that in the Cotton Association the committee fixes a rate lower than the ruling rate if it considers it is a fictitious rate and the market has been rigged.

(Signed) J. D. INVERARITY.

12th January 1922.

APPENDIX 16.

The Directors of the Native Share and Stock Brokers' Association.

OPINION.

1. Whether the resolution (Rule 26 re corner) above referred to is *ultra vires*, the Association or whether it is binding on all members of the Association.	1. In our opinion no question arises in the case of this Association as to the resolution being *ultra vires* of the whole body. The Association is not a company, whose powers or objects are limited by a Memorandum of Association. It is therefore open to the Association to pass any resolution so as to bind the body so long as the resolution is not illegal. In our opinion therefore, the resolution referred to in the instructions is binding on the members of the Association.
2. Whether if the above resolution is *ultra vires*, the Association can and should extend its objects by providing that it should have power to fix rates as aforesaid.	2. The Association can from time to time pass all lawful resolutions so as to bind the whole body of them and those others who contract subject to their rules and resolutions provided that the resolutions and the rules do not purport to or in fact affect past transactions.
3. (*a*) Whether the discretion of the Directors acting under the resolution is in any wise fettered. (*b*) Whether the Directors are bound to fix a rate near that which was touched when they decided to take action, or whether they can fix any lower rate whether prevailing during the month in which the Board decided to take action or in previous month or months.	3. (*a*) and (*b*) No; except that the rate must be *bona fide* fixed and can be lower or higher.
4. Whether any Director who has entered into transactions on his own account for sale or purchase of share with reference to the action to be taken is disqualified from voting as regards the rate to be fixed under the above resolution.	4. No; it would be better for him not to vote.
5. Whether a Director who has entered into transactions for sale or purchase on his own account but has closed them before voting as regards the rate to be fixed is so disqualified.	5. A director in the position referred to in this query may vote on the resolution.

6. Whether any Director who has entered into transactions for sale and purchase of such shares not on his own account but as broker on behalf of another is so disqualified ?	6. A director in the position mentioned in this query is not disqualified, but if he is influenced in voting by reason of the fact that he has to vote in the interest of his client it would be better for him to abstain from voting.
7. Whether after a rate has been fixed in case of a corner a purchaser is entitled to decline to take up shares or part thereof tendered at the contract price, and if he does so decline, whether the shares can be sold by auction, and in case of such sale what would be his liability ?	7. In the case mentioned in the query the purchaser would be guilty of breach of contract and will have to pay damages being the difference between the contract price and the market price on the due date.
8. And generally	8. We have fully discussed at the conference the matters referred to in the foregoing queries.

(Sd.) J. D. Inverarity.
(Sd.) B. J. Desai.

3rd February 1922.

P. S.

The resolution of the Board fixing a rate and prohibiting transactions at a rate exceeding the rate fixed necessarily prevents any transactions at a higher rate between the date when the resolution becomes operative and the vaida date and so in effect prevents the market rate *as between members of the Association* rising beyond the figure so fixed, but as the resolution has no effect on contracts made between persons who are not members of the Association who can enter into contracts at any rate they choose. The rate fixed by the Board would not necessarily be the real market rate on the Vaida day. We are inclined to think that the rate to be fixed by the Board according to the resolution was the rate on the Vaida day and not a rate to be fixed before the Vaida day.

(Sd.) J. D. Inverarity.
(Sd.) B. J. Desai.

3rd February 1922.

14, K. Hummam Street, Fort,
Bombay, 4th February 1922.

Kikabhoy Premchand, Esq.

Dear Sir,

Mr. Desai has now given his opinion on Rule 26 and the same runs as follows :—

" I have since been shown Rule 26 and asked to advise whether under the Rule it is competent to the Board (in the events mentioned in the Resolution accompanying) to fix a rate (which shall be deemed to be the market rate) for the said Vaida and to suspend auction sale for the said Vaida.

I am of opinion that the Board is so competent but I should like to add that the rule is very vague and indefinite. Even in that I do not think that the Board can in effect award damages to a defaulting seller or buyer (as the case may be). That may be achieved indirectly by making a distinct rule compelling the seller or the buyer to invoice back (or re-sell or re-purchase) the share at the said fixed rate and if there is an arbitration Clause allowing the members to refer all disputes to arbitration, of two members of the Board, and an award is made without stating the facts or giving the reasons, the award is not likely to be upset in a Court of Law."

Yours truly,
(Sd.) MERWANJI KOLA & CO.

Appendix 17.

21st January 1922.

The Board infers that a corner exists in the shares of the Finlay Mill and this day resolves that till further notice no members shall do business in the said shares at a rate exceeding Rs. 1,850 for 1922 February and subsequent settlements.

Attention of the members is specially invited to rule No. 32 of the Clearing House rules pointed below.

Appendix 18.

Board's Resolution dated 13th February 1922.

The buying-in and selling-out of Finlay Mill shares will be held to-morrow 14th February 1922.

Shares of the said Mill will not be allowed to be bought-in at a rate exceeding Rs. 1,850. The selling member while giving bid shall have to deliver shares and transfer immediately on the spot. Purchasing members shall have to make immediate payment in cash.

This resolution was passed by a majority of 7 against 4 but Messrs. Vurjivandas Tribhowandas and Mansukhlal Chhaganlal were in favour of fixing a rate of Rs. 1,825 and Mr. Jamnadas Khushaldas of Rs. 1,800 and Mr. Amratlal Kalidas of Rs. 1,840.

APPENDIX 19.

Board's Resolution dated 16th February 1922.

The pucca havala (making up price) for Finlay Mill shares for February 1922 Settlement has been fixed at Rs. 1,840 c. d. Forward business in Finlay Mill shares will not be allowed after the termination of March 1922 settlement but its cash business will continue.

APPENDIX 20.

14, K. Hummum Street, Fort,
Bombay, 9th March 1922.

To

The Honorary Secretary,
The Native Share and Stock Brokers' Association.

Re: Opinion.

Dear Sir,

We beg to put on record that we held a conference with Mr. Desai on the 27th ultimo, when you were also present and we shewed to Mr. Desai the intended rules regarding the corners and fixing of rates, when Mr. Desai advised that if a rate was fixed the parties would have to pay and receive damages at the fixed rate.

Mr. Desai approved the wordings of rule 3 for the invoicing back of the shares but he expressed his personal opinion that such rule was inconsistent with the ordinary law that a party in default is not entitled to any damages whereas circumstances might arise under which if the rule is in force a party making a breach of the contract would still be entitled to receive damages from the other party who would be willing to perform the contract and he stated that similar case was under appeal to Privy Council. At the same time it was open to argument that if the parties agree to a rule, putting themselves outside the protection afforded by law it was their concern and the law could not protect them.

Mr. Desai approved of the suggestion of an arbitration clause and in order to bind non-members the clause should provide that in case of difference of opinion between the members or between outsiders and members all disputes should be referred to arbitration. Of course in order to bind an outsider the broker while entering into contract should notify to his customers that the contract is subject to the rules of the association.

We will accordingly draft an arbitration clause and submit it for your approval.

Yours truly,
(Sd.) MERWANJI KOLA & CO.

In the event of its appearing that cornering of any particular shares by one or more individuals exists or is being attempted, or its appearing that the market in any particular shares is unduly brought down by the action of one or more individuals, or of the arising of an emergency necessitating the intervention of the Board (the Board being the sole Judge as to existence or attempting of the corner, or as to the undue depression or of the emergency), the Board shall have power from time to time in their absolute discretion :—

(1) To fix a price for the said shares above or below which as the case may be contracts for sale or purchase thereof shall not be entered into.

(2) To fix a price for the same or the then next ensuing Vaida (the said price so fixed being deemed to be the market price of the said share for the said settlement for the assessment of damages and determination of other rights and obligations arising out of the contract for sale and purchase of the said shares for the said settlement, and

(3) To compel the seller or buyer as the case may be of such share to invoice back (that is to re-purchase or re-sell) the shares at the said fixed rate.

APPENDIX 21.

Board's Resolution dated 2nd June 1922.

1. The Board infers that at present many difficulties have arisen in our bazar with regard to the forward business of Nagpur and Swadeshi Shares and believes that purchases and sales beyond limit have been effected, so with a view to safeguard the interest of the bazar it resolves that the business for September settlement in the shares of both the said Companies will be allowed after the entire completion of August 1922 settlement, *i.e.*, on the day next after the day fixed for payment of difference for August settlement.

2. Besides members are warned by way of request that no member should endeavour to create confusion in the market by entering into forward purchases and sales of shares of any Company beyond limits.

APPENDIX 22.

Board's Resolution dated 27th July 1922.

Messrs. Vadilal Sarabhai, Vadilal Poonamchand and Sangidas Jesiram appeared before the Board and recorded the terms of settlement regarding the link (Contango) of Nagpur and Swadeshi shares which are as follows :—

1. The Board to pass any resolution which it deems fit in the matter of the Nagpur and Swadeshi shares.
2. The prices of Nagpur and Swadeshi shares will not be allowed to be carried higher than Rs. 5,100 and Rs. 5,400 respectively till the day fixed for buying-in and selling-out for August settlement.
3. The prices of Nagpur and Swadeshi shares not to be allowed to be carried higher than those fixed by Messrs. Ardeshir Behramji Kanga and K. R. P. Shroff till the day fixed for buying-in and selling-out for September settlement.

The Board considered these terms and resolved that though the third term is objectionable, it will place all the terms before the General Meeting and will accept the same if they are confirmed at the said meeting.

APPENDIX 23.

Resolution of the General Meeting dated 25th July 1922.

The terms of settlement regarding the link (contango) of Swadeshi and Nagpur shares which were placed before the Board to-day were read to the meeting by the Secretary by order of the President. Mr. Ardeshir Hormusji Madan as President of to-day's Board's Meeting stated that the Board has accepted all these three terms provided they are confirmed by the General Meeting.

Mr. Jehangir Hormusji Guzder : " How can we confirm them unless we know the basis of the 1st term of settlement ? "

Mr. Ardeshir Hormusji Madan : " We have not come to any decision regarding the basis, but both the parties have no objection whether the Board will join the link or not " (*i.e.*, allow contango or not.)

Mr. Ardeshir Hormusji Madan then commenting upon the 3rd Clause of the said terms remarked that it is not justifiable to fix the rates of September settlement from to-day, because prices depend upon circumstances. How can we know what incidents will occur before the termination of the September settlement ? So it is very risky to fix the prices from to-day. The general body have already vested the Board with the necessary authority to intervene and fix the prices if extraordinary circumstances amounting to a corner arise and nothing has transpired to warrant an interference with the said authority by fixing the prices from to-day. Consequently I am against Clause 3.

Messrs. Dinshaw Bapuji Dadyburjor, Firoze Jehangir, Bapuji Nusserwanji, Vithaldas Dwarkadas and others agreed with the opinion of Mr. Ardeshir Hormusji Madan and declared their objection against Clause 3. Then Mr. Bhaichand Chunibhai Vakilna stated that the words " to-morrow " should be inserted in the first Clause. Eventually Mr. Jivatlal Pratapsi moved the following resolution and Mr. Chhaganlal Nagardas supported it :—

"This Meeting resolves that the three terms in the matter of Nagpur and Swadeshi shares which were read on behalf of the Board before the Meeting are all accepted. The terms are as follow : but in the 3rd Clause the words " prices should be fixed to-day and sealed " should be added.

1. The Board to pass any resolution which it deems fit in the matter of the link of Nagpur and Swadeshi shares.
2. The prices of Nagpur and Swadeshi shares will not be allowed to be carried higher than Rs. 5,100 and Rs. 5,400 respectively till the day fixed for buying-in and selling-out for August settlement.
3. The prices of Nagpur and Swadeshi shares not to be allowed to be carried higher than those fixed by Messrs. Ardeshir Behramji Kanga and K. R. P. Shroff till the day fixed for buying-in and selling-out for September settlement.

At this time Mr. Jehangir Bhicaji suggested to the meeting that this resolution should be considered as an exception and not as a precedent. This suggestion was approved by all members present at the meeting. Mr. Bapuji Nusserwanji moved an amendment to the above resolution of Mr. Jivatlal Pratapsi " The third clause of these terms should be removed. " The amendment was supported by Messrs. Feroze Jehangir and Ardeshir Hormusji Madan.

On putting the above amendment to vote, 14 members were in favour including Directors Messrs. Rajendra Somnarayen, Ardeshir B. Kanga and K. R. P. Shroff but as 51 members were against, the President declared the amendment as lost.

Subsequently on putting to vote the original resolution of Mr. Jivatal Pratapsi the President declared it as passed by a majority of 64 against 10 votes.

APPENDIX 24.

Board's Resolution dated 26th July 1922.

I beg hereby to notify to all members that on 2nd June 1922 the Board had resolved that business in the shares of the Nagpur and Swadesh Mills for September 1922 settlement will be allowed after the completion of the August 1922 settlement, *i.e.*, on the next opening day after the day fixed for the payment of differences of August settlement. In this matter the Board this day resolves that in pursuance of the above resolution no member shall do business for September settlement in the shares of both the Companies till 12th August 1922. Business for September settlement should be commenced from 14th August 1922 at market prices. Those members who are not desirous of squaring their purchases and sales in both Companies for the August settlement may if they so desire carry their business from August to September settlement. No member shall do business for August settlement till 14th August 1922 in the shares of Nagpur and Swadesh Mills at prices exceeding Rs. 5,100 and 5,400 respectively. Members can accordingly do business for August settlements or the contango business for August and September settlements in Nagpur and Swadesh shares by virtue of this resolution.

APPENDIX 25.

25th August 1922.

The Board resolves to-day that the Board infers that at present there is a corner in the shares of David and Currim Mills and consequently by virtue of the power vested in it by rule 26 of the Clearing House Rules intervenes and resolves

(1) That no business either for cash or for September 1922 delivery in the shares of David and Currimbhoy Mills at prices higher than Rs. 1,975 and 2,175 respectively will be allowed to be transacted from to-day.

(2) No one should at present do business for October delivery in the shares of both the said Mills.

The Board will hereafter give permission to square their dealings to those members who are not desirous of either giving or taking delivery during the October settlement in fulfilment of their contracts, for October settlement in the shares of both these Mills made by them before the market was ordered to be closed on 22nd August.

(3) No business whatsoever in the shares of both the Mills for any settlement subsequent to the October settlement shall be allowed to be done. Members will be at liberty to do cash business at market rates in the shares of both the mills after the termination of the October settlement.

(4) Rates for buying-in for September delivery of the shares of both the Mills will be declared on the day fixed for such buying-in.

APPENDIX 26.

11th September 1922.

The Board has this day resolved that David and Currim shares will not be allowed to be bought-in at prices exceeding Rs. 1,975 and Rs. 2,175 respectively.

APPENDIX 27.

Notice dated 2nd September 1922.

I beg hereby to notify to all members that the total number of tickets of Currim Mills issued by the buyers is 22,705 the running numbers whereof are from 1 to 22,705 and the total number of the Kaplis of David Mills is 21,822 the running numbers whereof are from 25,001 to 46,822.

(Signed) K. R. P. SHROFF,
Honorary Secretary and Treasurer.

APPENDIX 28.

Notice dated 5th September 1922.

I hereby beg leave to notify to all members that according to the information received from the Clearing House, applications for taking delivery of 14,804 and 14,369 shares of Currim and David Mills respectively are received for the September 1922 settlement: as against this, real deliveries of 5,080 and 4,777 shares of the Currim and David Mills respectively are tendered.

(Signed) K. R. P. SHROFF,
Honorary Secretary and Treasurer.

APPENDIX 29.

Board's Resolution dated 20th September 1922.

Members can do business in Currim and David shares for cash and for October settlement from 25th September 1922. But members shall not do business in Currim and David shares at prices exceeding Rs. 2,175 and Rs. 1,975 respectively.

APPENDIX 30.

Board's Resolution dated 3rd October 1922.

The Board this day resolves that business for moorat settlement in the shares of Swadesh, Nagpur and Broacha Mills shall not be done by any member at prices lower than the following :—

Swadesh, Rs. 4,000, *i.e.*, Rs. 3,800 x d.
Nagpur, „ 3,900
Broacha, „ 220

APPENDIX 31.

Board's Resolution dated 11th October 1922.

Taking into consideration the difficulties of our members in the settlement of October 1922 Settlement the Board resolved that the Secretary should write the following letter to those members who have applied to the Clearing House for taking delivery of Swadesh and Nagpur shares :—

> "To wit, you have applied to the Clearing House to take delivery of............ Swadesh and............ Nagpur shares out of which at present you will get delivery of........Swadesh and........Nagpur shares and hence you have to make the payment only for those shares to the Clearing House according to our rules and regulations. Of the balance of............Swadesh and............Nagpur shares delivery will be given to you after buying-in the shares on account and at the risk of the seller, if the said shares are available at such buying-in. But before the shares are bought-in you have to pay to the Clearing House the price of all such shares on Saturday 14th October 1922 in which case only the said shares will be bought-in on Monday 16th October 1922. Please note that the buying-in of these shares will not be allowed if you fail to pay the price thereof on or before Saturday."

APPENDIX 32.

Board's Resolution dated 13th October 1922.

By order of the Board I beg to notify to all members that all the members who had to take delivery of Nagpur and Swadesh shares were informed that they will be given delivery of about 62 per cent. of the Nagpur shares and 30 per cent. of the Swadesh shares. Besides they were also informed that they will be allowed to buy-in the balance of shares which were not delivered to them if they made payments on or before Saturday the 14th October 1922 in respect thereof at provisional making-up prices fixed by the Board and that the shares in respect of which the payments will not have been made will not be allowed to be bought-in but in respect of them an adequate price will be fixed by the Board.

APPENDIX 33.

Board's Resolution dated 13th October 1922.

Messrs. Hirachand Vussanji, Ardeshir Hormusji Madan and Vadilal Poonamchand being absent at the last meeting asked certain explanation regarding the said meeting to which Mr. Kaikhashru Ardeshir Patch and the Secretary Mr. Rajendra Somnarayen gave the reply to the following effect :—

> At the meeting dated 11th October 1922 which was convened at the urgent request of Mr. K. R. P. Shroff the latter stated that at present we should accept from Mr. Mathuradas Goculdas through his brokers the amount in respect of as many Nagpur and Swadesh shares as we have received for delivery and with regard to the balance he wishes to give us a guarantee of the Bank of India, Limited, and so we should settle this matter with the Bank

of India, Limited, and Mr. Mathuradas Goculdas. Upon this the Board requested Mr. Kaikhashru Ardeshir Patch and the Secretary to go along with Mr. K. R. P. Shroff and make the necessary arrangements. On return, they stated "We could not see Mr. Mathuradas Goculdas but we met at the office of Messrs. Payne and Company, his attorney Mr. Devji, Mr. K. R. P. Shroff said to him "Your brokers have not made payment for the balance of shares. You will only be entitled to buy-in such shares, provided your brokers pay for these shares on or before Saturday the 14th October 1922 or you give us a written guarantee from the Bank of India, Limited, for such payments". Upon this Mr. Devji agreed to pay the said amount to the Bank of India, Limited, and to forward the required guarantee to the Board.

APPENDIX 34.

Board's Resolution dated 17th October 1922.

(1) Those members who have made payments to the Clearing House against delivery of Nagpur and Swadesh shares on or before Saturday last 14th October 1922 in pursuance of our previous notice will be allowed to buy-in those shares to-day, *i.e.*, Tuesday 17th October 1922 on the opening of the market and in connection with this matter members shall before the time for buying-in give to the Honorary Secretary a writing under their signature informing him of the number of shares which they desire to buy-in.

Further, members have claimed their right of buying-in about 50 per cent. of Nagpur shares and 24 per cent. of Swadesh shares and in respect of the remaining outstanding shares the Board will fix and declare the making-up price after the buying-in is over.

(2) Those members who desire to give any shares at to-day's buying-in against their own sales of Nagpur and Swadesh shares should get such shares noted at the office of the Secretary and they shall have to sign according to our rules and regulations binding orders relating to the delivery of such shares within 24 hours.

APPENDIX 35.

Board's Resolution dated 17th October 1922.

The Board has resoled that after buying-in of the shares of the Swadesh and Nagpur Mills to-day, making-up prices of Rs. 4,320 and 4,260 x. d. are fixed for the Nagpur and Swadesh shares respectively for the adjustment of the remaining outstanding purchases and sales of the shares of the said mills.

APPENDIX 36.

London Stock Exchange Rule No. 146.

The Committee may suspend the Buying-in of Securities when circumstances appear to them to make such suspension desirable in the general interest. The liability of intermediaries shall continue during such suspension unless otherwise determined by the Committee.

Liverpool Stock Exchange Rule No. 220.

Should the Secretary when attempting to buy-in be unable to find a seller of the securities at a price which the Chairman or Acting Chairman shall if appealed to, decide to be reasonable, the Chairman or Acting Chairman may suspend the Buying-in until the matter has been submitted to, and decided by the Committee at a meeting to be forthwith convened for the purpose.

APPENDIX 37.

Glasgow Stock Exchange Association Rule No. 89 (2)c.

At request of the member at whose instance buying-in has been attempted to fix a maximum price as in Clause (*b*) and further provided there may be no offer to supply said stock, shares or other securities, at or under said maximum price to cause members to settle at said maximum price, which settlement shall close the transaction in so far that it should settle and determine the responsibility of members to constituents, and constituents to members and members to each other, but without prejudice to the claims of constituents, interest which shall be enforceable by them otherwise than through the members and shall not be limited or affected by this Rule in any way; and the names of the said constituents shall be at once disclosed by the respective members to each other.

APPENDIX 38.

Finlay Mills, Limited.

Brokers' Numbers.	Total Sales.	Real Delivery.	Short Sales.	Brokers' Numbers.	Total Sales.	Real Delivery.	Short Sales.
2	97	....	97	44	65	5	60
4	3	....	3	53	170	64	106
10	10	....	10	54	16	....	16
12	15	....	15	55	51	....	51
14	10	....	10	58	137	....	137
15	67	....	67	59	23	....	23
16	4	4	....	60	32	....	32
17	11	9	2	61	165	1	164
23	270	....	270	64	282	3	279
27	25	....	25	66	5	....	5
29	58	....	58	68	228	1	227
31	36	....	36	76	1	1	....
33	6	....	6	82	8	....	8
35	25	....	25	86	102	29	73
42	132	....	132	88	75	....	75
43	99	3	96	89	4	3	1

Brokers' Numbers.	Total Sales.	Real Delivery.	Short Sales.
98	1	1	....
103	69	1	68
105	47	....	47
112	23	....	23
121	5	....	5
127	22	....	22
128	6	....	6
130	1	....	1
134	5	....	5
137	243	....	243
138	5	....	5
139	25	1	24
142	40	5	35
144	38	6	32
145	126	15	111
148	7	....	7
150A	81	....	81
153	7	....	7
163	6	1	5
171	102	....	102
172	65	....	65
174	84	....	84
175	67	....	67
177	13	....	13
181	1	....	1
186	3	1	2
188	68	....	68
189	255	....	255
195	1	....	1
197	10	8	2
199	36	28	8
207	5	5	....
210	15	....	15
213	57	....	57
214	5	....	5
215	149	5	144
216	36	....	36
217	17	1	16
218	4	....	4
220	27	....	27
226	82	....	82
227	23	6	17
235	20	....	20
236	32	9	23
239	2	2	....
240	5	5	....
246	1	....	1
249	30	15	15
251	53	40	13
256	28	4	24
260	82	....	82
268	54	1	53
269	16	12	4
281	122	14	108
282	16	....	16
288	141	30	111
295	16	....	16
297	11	10	1
301	51	....	51
302	34	....	34
307	55	....	55
308	364	1	363
309	3	....	3
310	10	....	10
315	97	....	97
317	25	....	25
321	61	....	61
323	34	....	34
326	161	6	155
327	9	....	9
331	5	....	5
332	43	....	43
334	4	....	4
336	313	....	313
337	26	....	26
339	9	....	9
349	226	....	226
355	38	4	34
360	74	....	74
266	25	....	25
370	442	108	334
374	23	....	23
377	481	481	....
380	1	....	1
386	20	....	20
393	66	25	41
398	126	1	125
399	18	....	18
400	4	....	4
407	7	7	....
423	119	11	108
424	299	25	274
426	11	11	....
427	19	....	19
430	5	....	5
434	3	....	3
435	2	....	2
442	93	....	93
445	7	1	6
446	12	....	12
447	60	....	60
449	11	....	11
450	19	13	6
456	30	30	....
459	2	....	2
461	5	2	3
462	13	3	10
464	41	....	41
471	135	....	135
472	42	....	42
473	179	16	163
475	38	26	12
477	33	19	14
478	14	3	11
479	95	....	95
482	24	4	20
484	52	....	52
486	14	1	13
487	115	....	115
6	2	2	....
79	72	12	60
90	18	....	18
270	10	....	10
Grand Total ..	9,192	1,156	8,036

Finlay Mills.

Brokers' Numbers.	Total Purchases.	Actually Delivered.
41	16	2
69	649	80
95	108	13
108	2,077	303
110A	280	35
146	563	67
147	607	72
176	171	24
224	1,315	156
225	1,091	135
270	115	....
316	124	15
318	753	90
362	107	15
390	93	15
425	85	12
480	133	17
485	437	55
488	405	50
	9,129	1,156
Errors in Form No. 1	63	
	9,192	

Currimbhoy Mills, Limited.

Brokers' Numbers.	Total Sales.	Real Delivery.	Short Sales.
2	106	103	3
4	199	75	124
10	18	1	17
14	15	....	15
15	11	....	11
16	287	182	105
17	1	1	....
27	50	12	38
31	22	....	22
41	110	12	98
42	10	....	10
44	103	....	103
53	50	50	....
54	40	....	40
55	584	195	389
58	207	....	207
59	5	....	5
61	70	70	....
64	171	168	3
66	11	10	1
68	61	57	4
69	59	59	....
79	65	13	52
82	2	....	2
86	287	21	266
88	145	83	62
89	82	65	17
90	1	1	....
95	40	20	20
97	40	....	40
98	2	2	....
102	22	....	22
103	114	50	64
105	103	100	3
108	32	11	21
110	24	4	20
110A	96	51	45
111	2	2	....
112	52	1	51
121	8	8	....
127	1	1	....
128	4	....	4
130	12	4	8
137	46	46	....
138	23	4	19
139	10	....	10
145	218	138	80
146	87	1	86
147	85	25	60
148	21	....	21
150A	36	12	24
153	182	75	107
160	15	15	....
162	15	15	....
171	27	5	22
174	16	....	16
177	173	61	112
183	83	10	73
186	222	108	114
188	195	15	180
195	36	....	36
196	34	....	34
197	48	36	12
199	45	16	29
207	8	8	....
210	26	....	26
213	62	....	62
214	117	....	117
215	235	5	230
216	33	33	....
217	9	....	9
224	215	165	50
225	327	39	288
226	64	10	54
227	5	1	4
236	109	14	95
239	6	6	....
244	37	2	35
246	3	....	3
249	187	180	7
251	1	....	1
256	93	39	54
257	6	....	6
268	64	21	43
269	....	....	....
270	31	21	10
274	2	1	1
281	92	38	54
291	59	....	59
295	2	2	....
297	238	212	26
301	54	2	52
288	128	....	128
302	164	....	164
305	101	101	....
308	161	38	123
309	2	....	2
310	35	....	35
313	114	114	....
315	70	21	49
316	66	9	57
317	53	....	53
318	35	9	26
321	334	4	330
323	421	7	414
327	130	24	106
334	28	25	3
335	53	25	28
337	31	29	2
339	20	6	14
340	147	97	50
355	16	16	....
358	79	....	79
360	6	6	....
365	3	2	1
366	25	5	20
370	352	2	350
374	73	25	48
377	33	33	....
386	23	4	19
390	74	53	21
393	313	....	313
395	33	32	1
396	6	1	5
398	238	....	238
399	46	42	4
407	26	24	2
418	75	20	55
423	14	14	....
424	154	97	57
426	304	1	303
427	19	....	19
430	66	66	....
431	48	....	48
433	1	....	1
434	15	....	15
435	1	1	....
441	3	3	....
445	92	25	67
447	130	....	130
448	10	10	....
449	33	33	....
450	528	523	5
456	1	....	1
458	5	....	5
461	28	1	27
462	621	....	621
464	12	....	12
465	38	38	....
467	75	....	75
471	453	265	188
472	28	10	18
473	50	22	28
475	60	5	55
476	230	....	230
477	31	11	20
478	8	1	7
479	77	2	75
481	133	24	109
482	172	17	155
484	81	24	57
486	31	15	16
487	184	....	184
488	52	....	52
489	62	62	....
493	20	....	20
494	215	28	187
496	18	18	....
43	193	150	43
Grand Total ..	14,836	5,053	9,783

Currimbhoy Mills.

Brokers' Numbers.	Total Purchases.	Actually delivered by the Clearing House.
42	285	99
64	673	232
69	138	48
121	639	222
137	425	147
218	1,015	350
225	1,382	480
260	674	232
324	17	5
326	1,847	635
332	2,025	700
396	130	45
400	342	119
424	55	18

Brokers' Numbers.	Total Purchases.	Actually delivered by the Clearing House.
431	596	205
442	2,200	710
480	30	10
484	43	14
485	252	87
488	1,905	655
43	115	40
	14,788	5,053
Errors in Form No. 1	48	
	14,836	

David Mills, Limited.

Brokers' Numbers.	Total Sales.	Real Delivery.	Short Sales.
2	168	165	3
4	72	52	20
6	4	4	....
10	89	86	3
14	45	....	45
15	51	41	10
16	58	53	5
17	10	10	....
27	33	5	28
31	14	....	14
36	1	....	1
40	1	1	....
41	137	16	121
42	2	....	2
44	41	4	37
53	56	....	56
54	16	....	16
55	496	69	427
58	426	65	361
59	4	4	....
60	5	....	5
61	31	28	3
64	98	94	4
66	28	11	17
68	104	79	25
69	88	88	....
76	3	3	....
79	125	10	115
82	12	....	12
86	309	13	296
88	21	21	....
89	92	62	30
90	7	7	....
95	26	10	16
97	51	....	51
102	57	1	56
103	184	32	152
105	170	28	142
108	180	57	123
109	6	....	6
110	15	....	15
110A	166	2	164
111	9	9	....
112	42	2	40
121	53	53	....
125	11	11	....
128	5	....	5
130	2	....	2
138	48	21	27
139	45	37	8
145	295	252	43
146	139	70	69
147	76	1	75
148	8	....	8
150A	30	....	30
153	205	....	205
160	13	13	....
162	37	37	....
171	18	10	8
172	10	....	10
174	10	....	10
177	116	57	59
183	97	18	79
186	250	229	21
188	133	16	117

Brokers' Numbers.	Total Sales.	Real Delivery.	Short Sales.
189	10	....	10
195	109	5	104
196	11	....	11
197	21	13	8
199	131	79	52
207	62	62	....
210	56	....	56
213	125	3	122
214	158	1	157
215	278	2	276
216	59	59	....
217	13	3	10
218	80	73	7
220	30	....	30
224	96	25	71
225	546	130	416
226	68	5	63
227	14	4	10
235	1	1	....
236	106	49	57
239	6	3	3
244	70	37	33
246	2	....	2
249	151	151	....
251	1	1	....
256	26	3	23
257	13	....	13
268	20	10	10
269	82	75	7
281	46	12	34
288	225	85	140
291	13	7	6
295	27	27	....
297	75	74	1
301	90	57	33
302	159	1	158
307	32	11	21
308	160	118	42
309	2	....	2
310	12	3	9
312	4	4	....
315	77	64	13
316	46	6	40
317	81	10	71
318	10	10	....
320	1	1	....
321	223	....	223
323	413	14	399
327	19	1	18
331	5	5	....
334	17	12	5
335	41	1	40
336	54	....	54
337	2	2	....
339	9	....	9
340	105	40	65
355	25	25	....
358	10	1	9
360	11	10	1
361	2	2	....
365	20	20	....
43	182	149	33
366	26	22	4
370	204	3	201
374	50	5	45

Brokers' Numbers.	Total Sales.	Real Delivery.	Short Sales.
377	3	3	....
380	2	2	....
386	49	15	34
390	127	101	26
393	61	4	57
395	76	26	50
396	52	....	52
399	8	1	7
407	35	33	2
408	2	....	2
418	7	7	....
422	17	17	....
423	41	16	25
424	139	52	87
426	235	9	226
427	47	27	20
430	64	64	....
432	2	2	....
434	12	....	12
435	4	4	....
445	34	19	15
447	135	....	135
449	165	58	107
450	293	283	10
456	103	83	20
458	10	....	10
459	4	....	4
461	40	40	....
462	301	....	301
464	17	4	13
467	341	....	341
471	92	42	50
472	34	5	29
473	70	23	47
475	40	....	40
476	382	18	364
477	18	1	17
478	13	2	11
479	233	2	231
481	27	8	19
482	364	16	248
484	44	4	40
485	2	....	2
486	37	24	13
487	98	....	98
488	90	....	90
489	65	65	....
491	14	4	10
493	25	....	25
494	288	....	288
496	1	....	....
Error in form No. 1.	1	....	....
Grand Total..	14,340	4,628	9,702

David Mills.

Brokers' Number.	To be purchased.	Actually delivered.
42	411	137
64	25	8
69	150	50
121	170	57
144	....	....
150A	80	27
225	1,553	518
260	2,123	708
270	77	26
313	1,164	495
324	119	40
326	1,622	530
332	714	238
396	106	36
398	1,080	360
400	492	165
424	57	19
431	71	24
433	197	66
442	1,748	570
465	371	124
477	86	29
480	338	113
482	40	....
484	....	13
488	1,526	503
43	20	7
	14,340	4,868

APPENDIX 39.

Names.	Paid up.	Highest rate touched.	On	Present Rate.
Tata Oil Mills	100	575 P	17–1–20	*Nil.*
New India Assurance	25	75 P	16–8–19	8½ D
Jupiter Insurance	15	29 P	15–7–19	9 D
Tata Industrial Bank	22½	90 P	16–8–90	10 D
Scindhia Steam Navigation	30	60 P	18–8–19	22 D

P—Premium.

D—Discount.

APPENDIX 40.

Board's Resolution dated 18th July 1919.

The Board resolves this day that permission of the Board shall be taken before transacting business in the shares of a new company and till such permission is granted the business in the shares of such new companies shall not be transacted and the Board will take severe notice of any member transacting such business.

APPENDIX 41.

Index Number of Different Companies.

1. Pearl Mills.
2. Indian Bleaching.
3. Madhavrao Scindhia.
4. Kastoorchand Mills.
5. Mathradas Mills.
6. Currimbhoy Mills.
7. Premier Mills.
8. Fazulbhoy Mills.
9. Indore Malwa Mills.
10. Bradbury Mills.
11. Pabaney Mills.
12. Ceylon S. & W. Mills.
13. Shahabad Cement Co.
14. Central India S. & W. Mills.
15. Ahmedabad Advance Mills.
16. David Mills.
17. Swadeshi Mills.
18. Tata Mills.
19. Gwalior Cement.
20. Indian Cement Co.
21. Tata Oil Mills.
22. Tata Iron & Steel Co.
23. Andhra Valley.
24. Tata Hydro.
25. New India Assurance Co.
26. E. D. Sassoon United Mills.
27. Elphinstone S. W.
28. *Meyer Sassoon.
29. Edward Sassoon.
30. Kohinoor Mills.
31. Ahmedabad Electricity.
32. Surat Electricity.
33. Gujarat Railway Co.
34. Ahmedabad Prantij Railway.
35. Amritsar Petty Railway.
36. Central Provinces Railway.
37. Tapti Valley Railway.
38. Mandra Bhon Railway.
39. Sialkot Narowal Railway.
40. Punjab Portland Cement Co.
41. Bundi Portland Cement.
42. Shivrajpur Syndicate.
43. Central India Mining.
44. Bombay Steam Navigation.
45. Hingir Rampur Coal Co.
46. Madhowji Dharamsey Mills.
47. Sir Shapurji Broacha.
48. Indian Woollen Mills.
49. Apollo Mills.
50. Sholapur S. & W. Mills.
51. Morarji Goculdas Mills.
52. Dharamsey Morarji Chemicals.
53. Scindhia Steam Navigation.
54. Dharamsey Morarji Woollen.
55. Century S. & W. Co.
56. Bombay Dyeing Co.
57. Phœnix Mills.
58. Katni Cement Co.
59. Swan Mills.
60. Finlay Mills.
61. Globe Manufacturing Co.
62. Bombay Telephone Co.
63. Simplex Mills.
64. New City of Bombay Manufacturing Co.
65. Colaba Land Mills.
66. Pioneer Rubber and Industrial.
67. Gokak Mills.
68. Kilachand Mills.
69. Imperial Bank of India.
70. Bank of India.
71. Central Bank.
72. Dawn Mills.
73. Standard Mills.
74. Tata Power Co.
75. Crescent Mills.
76. New Great Eastern.
77. Bombay Electric Supply & Tramways Co.

Names of Directors who are on the Boards of a variety of Companies (vide *index number for names of Companies*).

Sir Sassoon J. David, Bart.	1, 2, 3, 6, 7, 8, 10, 11, 21, 22, 23, 24, 25, 30, 43, 44, 45, 47, 48, 57, 58, 59, 60, 70, 72, 73, 74, 75, 77.
Sir Jamsetjee Jeejeebhoy, Bart.	1, 2, 6, 7, 8, 11, 31, 33, 37, 39, 40, 41, 43, 55, 56, 57, 61, 64, 65, 69, 75, 76.
F. E. Dinshaw, Esqr.	1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 16, 19, 21, 22, 23, 24, 25, 26, 27, 28, 29, 41, 44, 46, 47, 48, 49, 51, 52, 54, 57, 58, 59, 60, 62, 63, 66, 70, 72, 74, 75, 77.
J. A. Wadia, Esqr.	1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 57, 75.
Ahmed Currimbhoy, Esqr.	1, 2, 3, 4, 5, 7, 8, 10, 12, 75.
Mahomedbhoy Currimbhoy, Esqr.	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 70, 75.
Sir Fazulbhoy Currimbhoy, Kt.	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 16, 21, 22, 23, 25, 26, 44, 47, 52, 54, 58, 66, 69, 73, 74, 75, 77.
The Hon'ble Mr. P. C. Sethna	3, 4, 5, 10, 12, 16, 22, 25, 46, 48, 52, 61, 62, 63, 71.
R. D. Tata, Esqr.	13, 14, 15, 17, 18, 20, 21, 22, 23, 24, 25, 62, 74, 77.
The Hon'ble Mr. Lalloobhoy Samaldas	13, 15, 18, 19, 20, 22, 23, 24, 25, 50, 53, 68.
H. P. Gibbs, Esqr.	13, 19, 20, 23, 24, 31, 74.
Sir D. J. Tata, Kt.	14, 15, 17, 18, 20, 21, 23, 24, 25, 73, 74.
H. E. Bamji, Esqr.	14, 15, 17, 18.
N. B. Saklatwalla, Esqr.	14, 15, 16, 17, 18, 20, 22, 25, 55, 56, 73.
Narottom Morarji, Esqr.	17, 18, 22, 23, 24, 26, 45, 50, 53, 55, 58, 66.
Sir Purshotomdas Thakordas	20, 22, 25, 30, 31, 32, 33, 34, 35, 36, 38, 39, 43, 44, 45, 66, 67, 68, 69, 74, 77.
Captain E. V. Sassoon	16, 26, 27, 28, 29, 49, 62.
A. J. Raymond, Esqr.	26, 27, 28, 29, 49.
S. R. Bomanji, Esqr.	26, 28, 29.
Albert Raymond, Esqr.	16, 26, 27, 28, 29, 49.
H. P. Hebblethwaite, Esqr.	30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43.
Ramdas Narandas, Esqr.	30, 32, 37, 40, 41.
D. W. Wilson, Esqr.	30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 42, 45.
Mahomed Hajibhoy, Esqr.	32, 36, 40, 41, 45.
Ambalal Sarabhai, Esqr.	34, 35, 51, 52, 54, 66, 70.
F. A. H. East, Esqr.	40, 41, 42, 43.
Mathradas Goculdas, Esqr.	46, 47, 48.
Purshotomdas Mathradas, Esqr.	46, 47, 48.
Devidas Narandas, Esqr.	31, 36, 38.
Byramji Jeejeebhoy, Esqr.	10, 64, 65, 76.
Sir Cawasjee Jehangir, Bart.	22, 47, 58, 70.

Trikamdas G. Khattau, Esqr. ..	.. 23, 62, 67.
Ramnarayen Harnandrai, Esqr.	.. 25, 47, 57, 70.
F. C. Annesley, Esqr. ..	.. 44, 45, 69.
Lalji Naranji, Esqr. ..	.. 53, 59, 60.
J. A. Kay, Esqr. ..	.. 64, 65, 70, 76.
Thomas Bradley, Esqr. ..	.. 64, 65, 76.
H. T. Gorrie, Esqr. ..	.. 42, 64, 65, 76.

Appendix 42.

Groups of Companies under the Agency of Messrs. Currimbhoy Ebrahim & Sons, Limited.

—	Pearls Mills.	Indian Bleaching.	Premier Mills.	Fazulbhoy Mills.	Crescent Mills.	Currimbhoy Mills.	Ebrahim Pabaney.	Madhavrao Scindhia.	Bradbury Mills.	Kastoorchand Mills.	Mathradas Mills.	Ceylon S. & W.	Indore Malwa.
Sir Fazulbhoy Currimbhoy.	*	*	*	*	*	*	*	*	*	*	*	*	*
Mahomedbhoy Currimbhoy, Esq.	*	*	*	*	*	*	*	*	*	*	*	*	*
J. A. Wadia, Esq.	*	*	*	*	*	*	*	*	*	*	*	*	
F. E. Dinshaw, Esq.	*	*	*	*	*	*	*	*	*	*	*	*	
Ahmed Currimbhoy, Esqr.	*	*	*	*	*	*		*	*	*	*	*	
Sir Sassoon David, Bart.	*	*	*	*	*	*	*	*	*				
Sir Jamsetjee Jeejeebhoy.	*	*	*	*	*	*	*						
The Hon'ble Mr. P. C. Sethna.								*	*	*	*	*	
H. G. M. Ajam, Esqr.										*	*	*	

Groups of Companies under the Agency of Messrs. Tata Sons, Limited.

—	Tata Iron and Steel.	New India Assurance.	Tata Oil Mills.	Tata Power.	Andhra Valley.	Tata Hydro Power.	Indian Cement.	Tata Mills.	Ahmedabad Advance.	Swadeshi Mills.	Central India.	Standard Mills.	Shahabad Cement.
Sir D. J. Tata ..	*	*	*	*	*	*	*	*	*	*	*	*	
R. D. Tata, Esqr...	*	*	*	*		*	*		*	*	*		*
Sir Sassoon David, Bart.	*	*	*	*	*	*						*	
F. E. Dinshaw, Esqr.	*	*	*	*	*	*							
N. B. Saklatwalla, Esqr.	*						*	*	*	*	*	*	
The Hon'ble Mr. Lalloobhoy Samaldas.	*	*			*	*	*	*	*				*
Sir Purshotamdas Thakordas.	*	*	*	*			*						
Sir Fazulbhoy Currimbhoy.	*	*		*	*	*		*				*	
Narottom Morarji, Esqr.	*			*	*	*	*			*			
H. P. Gibbs, Esqr...				*		*							*
H. E. Bamji, Esqr..								*	*	*	*		
The Hon'ble Mr. P. C. Sethna.	*	*											

Groups of Companies under the Agency of Messrs. Killick Nixon & Co.

—	Punjab Portland.	Bundi Portland.	Shivrajpur Syndicate.	Central India Mining.	Kohinoor Mills.	Ahmedabad Electricity.	Surat Electricity Co.	Gujrat Railway Co.	Ahmedabad Prantij Rly.	Amritsar Petty Rly.	Central Provinces Rly.	Tapti Valley Rly.	Mandra Bhon Rly.	Sailkot Narowal Rly.	Bombay Steam Co.	Hingir Rampur Rly.
H. P. Hebblethwaite, Esqr.	*	*	*	*	*	*	*	*	*		*	*	*	*		
Sir Purshotamdas Thakordas.				*	*	*	*	*	*	*	*		*	*	*	*
Major D. W. Wilson, C.I.E.			*		*	*	*	*	*	*	*	*	*	*		*
Sir Jamsetji Jeejeebhoy.	*	*		*		*		*				*		*		
Ramdas Narandas, Esqr.	*	*			*		*					*				
Sir Sassoon David				*	*										*	*
Mahomed Haiibhoy, Esqr.	*	*					*				*					
F. A. H. East, Esqr.	*	*	*	*												
Devidas Narandas, Esq.						*					*		*			
Ambalal Sarabhai, Esqr.									*	*						
F. E. Dinshaw, Esqr.		*													*	
Sir Fazulbhoy Currimbhoy.																

Groups of Companies under the Agency of Messrs. Mathradas Goculdas & Co.

	Madhavji Mills.	Sir Shapurji Mills.	Indian Woollen.
Sir Sassoon David, Bart.		*	*
Mathradas Goculdas, Esqr.	*	*	*
Purshotamdas Mathradas, Esqr.	*	*	*
F. E. Dinshaw, Esqr.	*	*	*
The Hon'ble Mr. P. C. Sethna	*		*
Tircumdas Dwarkadas, Esqr.	*		
Sir Fazulbhoy Currimbhoy		*	
Sir Cawasji Jehangir		*	

Groups of Companies under the Agency of Messrs. E. D. Sassoon & Co., Limited.

—	E. D. Sassoon United.	Meyer Sassoon Mills.	Edward Sassoon Mills.	Elphinstone Mills.	Apollo Mills.	David Mills
Capt. E. V. Sassoon ..	*	*	*	*	*	*
F. E. Dinshaw, Esqr. ..	*	*	*	*	*	*
Albert Raymond, Esqr. ..	*	*	*	*	*	*
A. J. Raymond, Esqr. ..	*	*	*	*	*	
S. R. Bomanji, Esqr. ..	*	*	*			
Sir Fazulbhoy Currimbhoy ..	*					
Narrottom Morarji, Esqr. ..	*					*
The Hon'ble Mr. P. C. Sethna .						*
N. B. Saklatwala, Esqr. ..						*

Groups of Companies under the Agency of Messrs. W. H. Brady & Co., Limited.

—	New City.	Colaba Land.	New Great.
J. A. Kay, Esqr.	*	*	*
Sir Jamsetjee Jeejeebhoy	*	*	*
Thomas Bradley, Esqr.	*	*	*
H. T. Gorrie, Esqr.	*	*	*
Byramji Jeejeebhoy, Esqr.	*	*	*
Manordas Tribhovandas, Esqr.		*	
Shantidas Askaran, Esqr.			*

APPENDIX 43.

(True Copy.)

From

The Central Bank of India, Ltd.,

Bombay, 26th October 1923.

To

The President,
The Native Share and Stock Brokers' Association, Bombay.

Dear Sir,

In reply to your letter dated the 20th instant, and addressed to the Managing Director I am desired by him to inform you that our Bank is on the whole satisfied with the working of the Association and as agent has had no reason to complain of share transactions with the Association nor has it had any cause of complaint against the Association or its members except in regard to the rules regarding cornering and the number of days that the Exchange is closed.

Yours faithfully,
(Signed) K. H. DADY BURJOR,
Assistant Secretary.

(True Copy.)

1, Commercial Buildings,
Calcutta, 5th October 1923.

From

Place Siddons and Gough,
Stock and Share Brokers ;

To

K. R. P. Shroff, Esqr.,
President, Bombay Share Brokers' Association, Bombay.

Dear Sir,

We are in receipt of your letter of the 1st instant with regard to the Committee of Enquiry on the subject of your Exchange in which you ask whether we have any grievances or complaints against your members.

In reply we would say that we have for very many years transacted regular business with members of your Exchange mainly in Jute shares which have at times been subject to violent fluctuations in price. During this period we have had no difficulty with any of your members but our experience on the contrary has been uniformly satisfactory.

Yours faithfully,
(Signed) PLACE SIDDONS AND GOUGH.

THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION.

Dalal Street, Fort,
Bombay, 18th July 1923.

To

The Private Secretary
to His Excellency the Governor of Bombay.

Dear Mr. Adam,

Referring to the interview His Excellency the Governor was kind enough to accord to me and my Committee on the 28th June 1923, I have discussed with my Committee the points regarding the Native Share and Stock Brokers' Association suggested at the interview and the necessary actions and the suggestion for placing it on a better footing than at present and I have now the honour to place before His Excellency the Governor the views of my Committee on the subject.

I have, however, been asked by my Committee to request you in the first place to convey to His Excellency the best thanks of the Association for the deep interest taken by him in its welfare.

Before dealing with the points I beg to make the following preliminary observation and although I apprehend that thereby I would be encroaching upon the valuable time of His Excellency still I feel sure that he will not find it wasted.

The Association, over which I have the honour to preside, has been in existence for over half a century, and is composed of members of all communities and most of them are well-known gentlemen of position and standing and alive to the necessity of strictly observing and following the rules and regulations and practice and usage of the Association. No one is more interested in the good name of the Association than its members.

Despite the fact that hundreds of bargains are transacted on the Exchange daily, involving lacs of rupees and effected at first by word of mouth or jestures, disputes rarely occur between the contracting parties. There is probably no group of business-men amongst whom good faith in the fulfilment of business obligations, and the strict observance of the rules of the Association, its usages and customs are so proverbial and the repudiation of contracts so practically unknown as amongst the members of the Association.

The Association has been governed by the rules and regulations laid down in its Constitution and such other rules and bye-laws from time to time framed as actual practical experience and circumstances demanded. These rules have always been administerd by the Committee duly elected according to the Constitution of the Association with a view to do justice both to the members of the Association and to the public. The constitution and the rules framed by the Association have stood the test of time for over half a century, during which it has weathered many a storm and carried through transactions amounting to crores of rupees without a single mishap.

My Association makes no claim to perfection, but has always been deeply concerned with improving the methods of transactions and management so as to bring the same into conformity with the requirements of modern times.

My Committee beg leave to maintain that in its regulations for admission of new security to dealings, in its rules regulating the business conduct of the members and the enforcement of such rules the Association is at least on a par with any other leading Stock Exchanges in the world.

The Association, two years ago, established under certain rules and regulations a Clearing House under the management of the Bank of India. It commands the confidence of the public and passes through from month to month transactions amounting to crores of rupees. The public institutions, banks, and investing public, have freely and without fear entrusted to the members of the Association Securities, Bonds, Loans and Shars, because they have confidence in the members of the Association and in the bye laws, by which they are governed. The volume of transactions during the period of two years passed through the Clearing House amounted to eighty-one crores of rupees.

Nevertheless there has been a clamour through the Press and commotion in the Council against the Stock Exchange. My Committee, however, submits that most of those, who raise such clamour and commotion are persons, or are led by persons, who had made speculative transactions beyond their means and had suffered losses in consequence of their own desperate actions and many of those who have criticised the actions of the Stock Exchange, have not realised or appreciated the distinction between the consequences arising from the operations of the rules of the Stock Exchange and the methods of carrying out the transactions, and the consequences arising out of the acts of the speculators over whose organisation and over whose conduct the Association has no control. It is a fact that public prejudice against the Stock Exchanges in the whole world, although almost never based upon actual facts or upon any real knowledge of the Science of Economics, is nevertheless wide spread and deeply rooted and taking advantage of that, the indignant speculators and their henchmen leave no stone unturned to wantonly attack the Association and its Officers without the least justification except that the action adopted by the Association in the interest of the investing public had frustrated them in their avaricious designs.

It may be that occasionally in taking measures under circumstances unique and unexpected, there may have been shortcomings in the method of the administration of the rules of the Stock Exchange, which maturer experience, might have avoided ; but such shortcomings have been just such as there have been and are likely to be in every Institution administered by human brains, nevertheless as far as my committee can say, on every occasion there has been perfect good faith on the part of the Committee of the Association to meet all exigencies bonafide in the interest of the public and the members of the Association and to the best of the powers of the Association.

With these preliminary observations my Committee craves leave to give their views on the points suggested at the interview aforesaid.

Arbitrary closing of the market to suit certain interest.

My Committee denies that on any occasion the market was closed to suit particular interest of the members, or their clients. The President or in his absence the Secretary has power as an emergency measure to stop transactions in particular scripts and to convene at once a meeting of the Committee to consider the matter and the Committee may confirm the action and declare a corner and fix such terms as the Committee may think proper or remove the bar and leave the market open. This is an absolutely necessary power in cases of emergency and the power has up to now been exercised only twice or thrice in the history of the Association to save the public from utter ruin and disaster when big speculative operators rigged the market. It is not desirable to take away this power in view of the safety and protection it affords to the public and members of the Association and similar power is reserved to the Committee of Stock Exchanges all over the world.

Closing the Exchange without Notice.

There has been no closing of the Stock Exchange except on holidays or days fixed for settlements of accounts or on the occasion when the market used to be closed as a mark of respect to the memory of a deceased member without any notice. As regards the closing on holidays the days are fixed previously at the commencement of the year and the public has due notice thereof as well of the days on which the Exchange is closed for the settlement of Accounts. As to the complaint that the holidays are too numerous my Committee beg to point out that the Exchange is composed of different Communities, having their respective holidays and the holidays of different Communities have accordingly been recognised by the Association and hence the number of holidays is numerically more than holidays permitted to the Banks but in this connection my Committee beg leave to point out that almost all private public and even Government Offices as well as the Calcutta Stock Exchange enjoy sectional holidays in addition to the Bank Holidays declared under the Negotiable Instruments Act and my Association has similarly about 14 such holidays sanctioned at a General Meeting. When any such holiday falls on a Sunday the Association does not oberve such a holiday on the following Monday, as is the case with the London Exchange where also extra holidays besides Bank Holidays are allowed. In view of the members of the Association being of diverse Communities there is no possibility of curtailing the existing holidays or the closing on the days on which the accounts have to be settled.

But as regards the closing of the Exchange on account of the death of a member it was resolved on the 21st day of June 1923 that the Exchange will remain closed on such days for new dealings only but payments in settlement of contracts and deliveries of securities will continue as usual even during such closing so that the general public may not be inconvenienced or put to a loss.

Meetings with Noise and Disorder.

As regards the complaint of noise and disorder in Meetings undoubtedly at some of the Meetings where a seriously controversial subject is brought on for discussion, owing to conflict between divergent opinions noise and disturbance do take place. This evil is more of recent growth and almost universal and has been witnessed at numerous public Meetings, for social, political or business purposes and whether convened privately or in conformity with law. The reports of Parliamentary Meetings in all parts of the World, even the most civilized, show the same tendency and in such a time to expect the members of my Association to be entirely free from that tendency, is hopeless. Nevertheless, my Committee can say that none of the Meetings duly convened had to be dissolved in consequence of such noise and disorder. On the contrary, instead of noise and disorder at every such Meeting reasonable and harmonious conclusions were invariably arrived at.

Card Value.

The market value of the card fluctuates according to the law of demand and supply which in its turn is affected by the fluctuations in accordance with the activity of business in the Exchange. The present price is Rs. 15,000. A non-member can secure a card either by purchasing that of some deceased member or defaulting member subject to the approval of the Directors. The securing of the card is not sufficient to enable the purchaser to become a member. Every new member has to be introduced and recommended by two members who have to satisfy the Board that the new comer is of sufficient means, is free from debts, of good business reputation and of good character. The application of the applicant is then placed on Notice Board for 15 days, objections to his admission in writing are invited, and at the end of the period the applicant is duly considered by the Board and passed if considered eligible. The price paid for the card is not lost to the purchasing member as in the case of entrance fee but it is an asset or property of value fluctuating in accordance with the circumstances aforesaid. After his death his legal representatives can recover the price of the card by its sale and necessarily an endeavour is made to get the highest possible price for the card. No doubt during the last boom the price of a card had risen to Rs. 40,000 and for those who were fortunate enough to secure business it was not too high a price for the card. Nevertheless, my Committee submits that even Rs. 40,000 in normal times cannot be said to be too high a price as alleged for the card, with a right in the assets of the Association. In New York the price of a card is about Rs. 3,25,000 in addition to which each member admitted there by transfer, has to pay the initiation fee of Rs. 6,000 and an annual subscription of Rs. 1,000. In London each member without a right in the assets of Exchange has to pay the entrance fee of 500 guineas and an annual subscription of 40 guineas, whereas my Association after issuing the card charges annual subscription which is Rs. 5 only. My Committee desires to point out to Government with due respect that the public have no right to interfere in the internal management of the business and properties of the Association. So long as the Association violates no law of the land, it has a right to conduct its internal business as it pleases, it has a right to admit as members whomsoever it approves of, and it has a right to fix the minimum price of the card at the General Meeting.

Inflated price in cornering.

My Committee submits that on all Exchanges manipulations and cornering take place off and on. Both the evils however are beyond the control of my Association. The cornering is commenced by men of masterly craft and with considerable money behind their back. It is absolutely impossible to take measures to prevent this. Corners are checked when they reach a certain stage and the Board has in accordance with the Rules of the Association interfered and suspended dealings in the cornered securities and fixed a reasonable and fair settlement price to protect the short sellers against the absolutely high-handed whims of the speculative operators in cornering. Bulls clash with the bears and it is not surprising in extraordinary times and in extraordinary conditions that the decision of the Committee should not suit both the parties. No one can be more anxious than the Association to adopt measures to prevent the corners, but it is common knowledge that no one in the world had up to now found any effective measures to prevent them, nor it is possible to lay down any hard and fast rule for the purpose. In applying the rules and exercising the powers the Association had the benefit of the best legal advice available in Bombay and its one great object was to protect as bravely and even single handedly as it could, the interest of the public and the members of the Association. My Committee submits that by reason of this decision and prompt interference the evils of corners were reduced as far as possible to minimum. Transactions on the Stock Exchange are of extraordinary complexity and intricacy, particularly during the period of corners. On the one hand the Association is expected to prevent such corners and on the other hand not to interfere with the freedom of contract.

The rules of the Association have stood the strain of the several corners recently and though the course adopted by the Association did not prove palatable to the parties vitally interested nevertheless the Board had the gratification of having succeeded in preventing the *bona fide* public and the members of the Association from being whirled into disaster. My Committee is anxious to be advised by the Government and will welcome any steps which may be suggested either by Government or by competent persons to prevent cornering without the exercise of the power aforesaid. In fact the discoverer of such a remedy will be a saviour whose arrival will be hailed with joy by the *bona fide* investors all over the world. My Committee note with regret that the steps taken by the Committee at the time were hotly criticised and the *bona fides* of the Officers of my Association challenged by vehement and unjustified attacks but no one ventured to test the validity of the action in a Court of Law where my Committee would have been able to demonstrate the justice, propriety and equity of the extraordinary steps taken to prevent a disaster in those extraordinary times.

Apprehensions of small investors being frightened out of market.

It is a firm belief of my Committee that *bona fide* small investors never lose their moneys during normal times nor have they lost any even during the time of boom and corners. Investors do not invest with the view to make huge capital profits. But no doubt small capitalists who come to the market to make purchases with a view to resell in short times at huge profits lost their moneys when the market toppled down and it would be a misnomer to call such persons small investors. My Committee has not the least apprehension that when the market resumes its normal tone the small investors will out of fright remain out of the market. At present small investors if they fight shy of the market, they do so owing to the history of the several shady ventures which had been started in the times of boom, even under directorate of well-known men, with promises of high expectations but met their just fate by being wiped off at the termination of the boom and the recollection of such incidents would be a deterrent to any man of ordinary means to go in for new ventures although they may be of intrinsic merit then.

Suggestions for future.

My Committee have already mentioned above that they never claimed perfection for their existing constitution Rules and Bye-laws although they have stood the test of time for half a century. But as a matter of fact the Association had resolved to have their Constitution, Rules and Regulations revised and in accordance with the resolution new rules and Regulations embodied in two books, a copy whereof is sent herewith in a separate cover for perusal of Government, have been framed in consultation with the Solicitors of the Association and have been printed and circulated amongst the members for their approval. Even the new intended Rules after having been framed had to be amended in the light of the experience gathered during the stormy times through which this City has recently passed and it is now decided to place them before the Meeting of the Association and have them duly sanctioned and passed. Before however the final step is taken by the Association, my Committee will be happy to welcome and consider any suggestions and recommendations that Government or any duly qualified persons may make to further safeguard and promote the interests of the public and the members of the Association. The members of my Association are proud to belong to an Institution which has stood the test of time for 50 years. They have not done and are not likely to do anything which will bring slur on this Institution. My Committee have control over the disciplinary conduct of the members under penalty of suspension or expulsion. All the orders and Resolutions of the Committee have hitherto been always carried out by the members notwithstanding the same, might have been unpalatable and there is no reason to doubt that there will be a departure from the usual strict observance of the Rules and Regulations by the members of the Association or that the Committee or the Officers act arbitrarily or not exercise their powers and discretion impartially and judicially. All contracts are made under and subject to the Rules of the Association. Any aggrieved party in case of true and *bona fide* cause of complaint can seek redress in a Court of Law which affords the highest guarantee of safety and my Committee respectfully declare that they fail to see what further guarantee can be required for the enforcement of the Rules and Regulations.

My Committee respectfully beg to point out that those who loudly clamour for legislation have no knowledge of the intricate and complicated working of the Stock Exchange and are neither versed in the theory of law nor are they aware as pointed out by the Honourable Finance Minister that with the exception of one solitary precedent in the case of Germany where also the control had failed nowhere a demand was made to control by legislation the operations in the Stock Exchange. Such control is doomed to fail, and any interference by legislature with the exercise of a legitimate trade would be an encroachment on the liberty and freedom of an Institution which though private has been serving the public for half a century past and commanding its confidence.

Yours sincerely,
K. R. P. Shroff,
President.

The Native Share and Stock Brokers' Association.

Dalal Street, Fort,
Bombay, 6th August 1923.

To

The Private Secretary
to His Excellency the Governor of Bombay.

Dear Mr. Adam,

I shall thank you to place before His Excellency the Governor the reply of my Committee regarding the suggestion made by him at the interview I had the honour to have had with him on Saturday the 28th July 1923 at the Government House, Ganeshkhind.

I take this opportunity of expressing my deep gratitude to His Excellency for the sympathetic views expressed in course of the interview and the open-minded way with which he dwelt upon the miscomprehended subject of the Stock Exchange.

If changes and improvements seem to come about slowly, it is not because of the unwillingness of my Association to remedy these conditions, but because of the gravity and deliberation with which they must be considered in the light of the future as well as the present. If there are real abuses, no one is more anxious to know them and to remedy them than the members of the Association.

My Committee believes that the first duty of the Association is towards the public and that the members of the Association will prosper if *bona fide* investors are rigorously protected. My Committee is determined to see that the public gets a square deal. My Committee therefore unanimously believes that the public interest which the Association is bound to conserve will not be promoted by any outside control as suggested by the Government on the actions of the Committee but would suffer enormously by such a step. It is therefore necessary that the Association should itself be the guardian of its rules and regulations. This is surely the only practical way of maintaining a high standard of probity and business morality. Any restrictive measure would cast a slur upon the honesty and probity of the administration of the Stock Exchange and would deter members having any self-respect from taking up office and discharge their onerous duties and further hamper the operations of this great financial market.

In 1877, a Royal Commission was appointed to inquire into the constitution and customs of the London Stock Exchange. In 1878 its report was published. A suggestion had been made that the Stock Exchange Committee should be assisted in its deliberations by an outside assessor or assessors, especially in cases of important questions involving the personal interests of fellow-members and others, but the report pointed out the danger of attempting to force any form of external control on the institution and the Royal Commissioners preferred the Committee as it was, on the ground that the members understood the complicated questions to be decided much better than any outsider would understand them, and that it was necessary in most cases that the decisions should be very prompt and complete.

The gradual development of Banking and Joint-stock Companies, and even of Government has been attended to meet growing conditions by mistakes, by errors of judgment and by occasional wrong doings, yet we do not condemn banking, because there were many failures and even frauds, we do not condemn Joint-stock Companies, because many of those formed during the last five years were badly organized and incompetently managed by rushing ambitiously into speculative projects that ruined innocent and inexperienced investors, we do no abandon our form of Government because the public criticise it freely. Similarly no attempt should be made to urge any form of external control on the Association simply because many inaccurate criticisms are uttered and given wide spread publicity. In view of all these I regret my Committee cannot accede to the suggestion of the Government. My Committee strongly objects to any sort of control of or interference from outsiders not conversant with the intricate working of the Stock Exchange or who may be directly or indirectly interested in the operation of the Stock Exchange or who may during times of boom abuse their position on the Exchange and rob wealthy investors and grind down the poor, as was done by well known persons though outside the Stock Exchange, during the last boom.

As mentioned in my letter of the 18th ultimo, recourse from the decisions of my Committee if malafide, or dishonest can always be had to the competent Courts of the country according to law and my Association is just as much subject to the jurisdiction of the courts and processes of the law as any individual or corporation.

In October 1917, a new Stock Exchange was organized in Bombay. This organization was a failure from the very start. Its managing Committee consisted of some well known citizens of Bombay having confidence of Government and stamp of public approval and of high reputation but not conversant with the intricate working of the Stock Exchange, still the public did not support this Exchange is an established fact, and my Association had the exclusive confidence of the public which cannot be denied. This new Exchange started trumpeting forth their desire to introduce alleged reforms in matters in which they announced my Association to be deficient, but they found the same impracticable and were unable to move an inch further and had to close their doors within three years. An attempt was made to re-start it last year but it failed. In view of what has been just stated above it is doubly true that outsiders are not able and well-fitted for their task of managing a Stock Exchange. My Committee may be permitted to give a further instance of the inadvisability of regulating the Stock Exchange by legislature or outside control. Early this year there was a continuous agitation in New York to subject the Stock Exchange to legislative and legal control. The Lockwood Committee recommended to the legislature a bill called Blue-Sky Laws, to regulate the Stock Exchange. Mr. Samuel Untermyer, counsel to the Lockwood Committee said " It is inconceivable that innumerable autocratic powers that are subject to no review by public authority should have been so long permitted to continue. Why the Stock Exchange should be permitted to exercise powers of super-government unknown to any other class in the community, and that are necessarily subject to abuses which cannot be reached by the processes of the law by those who are injured ". The financial interests were strongly opposed to this proposal. The Stock Exchange strongly opposed the Bill. Mr. Seymour Cromwell, President of the New York Stock Exchange, expressed his opinion that legislation inimical to the security market must not be passed and that this market must not be destroyed and legislation which would be detrimental to it must not pass. Accordingly the Congress did not pass the Bill.

My Committee strongly feels that the critics of the Stock Exchange have from selfish motives long found fault with the Association, because of its atmosphere of aloofness, its silence under attack, and its apparent unwillingness to defend itself against adverse comments. This reticence has no doubt caused harm to the Association. My Committee is therefore of opinion that in justice to the association, the affairs of my Association, its purposes and its methods and usages may be properly submitted for investigation to competent and disinterested authority in manner that may enlighten the public and the result carry conviction. My Committee therefore has no objection whatsoever but on the contrary will welcome any step the Government may take to appoint a committee of independent men, including an expert from London Stock Exchange to scrutinize the affairs of my Association and to examine the grievances of which complaints may have been made to Government and to submit recommendations for reforms and changes. The Association and the public both will be the gainer by such public investigations.

My Committee begs to request the Government to include in the Committee, if such is appointed, the President of the Native Share and Stock Brokers' Association so that he may correct misconceptions of misrepresentations and explain real facts and otherwise help the Committee.

My Committee begs to draw the attention of the Government to the powers of the Committee of the London Stock Exchange. These powers are very wide and absolute. Under the powers conferred by Rule No. 20 quoted at the foot hereof, the Committee may dispense with the strict enforcement of any of the rules and regulations. Such powers are at once autocratic and despotic and are never granted to or enjoyed by my Committee.

Yours sincerely,
K. R. P. **Shroff**,
President.

Rule No. 20 of the Stock Exchange, London.

20. The Committee may dispense with the strict enforcement of any of the Rules or Regultions under the following conditions :—

(*i*) A Resolution for this purpose must be carried by a majority of three-fourths of a Committee present at a Meeting specially summoned and consisting of not less than Twelve Members.

(*ii*) Except in the case of the matters exempted from confirmation by the first clause of Rule 10, the resolution must be confirmed by a majority of a Committee present at a subsequent Meeting specially summoned.

Report of the Extraordinary General Meeting of the Native Share and Stock Brokers' Association.

Tuesday, 21st August 1923.

The said meeting was held in the Sir Dinshaw Petit Native Brokers' Exchange Hall at 2 p.m. on 21st August 1923 when Mr. K. R. P. Shroff presided. The meeting was attended by members in very large number. At the commencement the Secretary read the notice convening the meeting as well as the minutes of the last extraordinary general meeting. The said minutes being in order were signed by the President.

The President then addressed as follows :—Gentlemen, as you are aware, your Directors and myself had an interview with His Excellency the Governor of Bombay pursuant to his desire. At first His Excellency had a private conversation with me and as what transpired there as well as at the next interview with me was but an exchange of our personal views and is not binding on you, and the meetings being private I cannot reveal all to you. But I shall give you explanation relating to the correspondence which has been published. During our interview His Excellency related all that he had to say but there was no discussion at all. He said that he had received complaints about the share bazar administration from influential quarters and his council also resolved to make enquiries into its affairs. His Excellency declined to enter into any discussion regarding the alleged grievances, whether they were real or unreal but only wanted to know whether we were prepared to remedy them and desired to know what suggestions regarding the future we would make in the matter so that his Government may not have to intervene. I would have given him the same reply there and then as we gave afterwards in writing. But I thought I had no right to do so and considered it desirable to give a reply after consulting my co-directors. Moreover with the view that our reply if given in writing would be for future an important document I informed His Excellency that we would forward a reply at an early date. His Excellency also approved of the suggestion. You have been furnished with the prints of replies sent to His Excellency and fully trust that the same have met with your approval. His Excellency asked us not to dwell on the merits of the alleged grievances of the public in our reply but I remarked that very often unfounded attacks are even levelled against the Govenment of His Excellency and similarly such attacks are made against our Association and hence it was vitally important that we should be allowed to defend our cause. Besides His Excellency had heard only one side of the case and so in justice to the Association he should hear us too. Thereupon His Excellency willingly acceded to my request and in our replies you will find all the alleged grievances treated succinctly.

Our friend Mr. Ardeshir Madan inquired of His Excellency whether he would furnish us with a plaint of the specific grievances but His Excellency declined to do so as the complaints were made to him orally.

Now some Presses have passed fallacious and meaningless criticism on our replies. I am at a loss to understand whether they have not comprehended us and hence have made the remarks out of ignorance or they have done so with a selfish motive.

Some members :—They have understood everything. Motive simply comes into play.

Mr. Shroff :—It is reported in some papers that our replies indicate that we do not intend to make reforms—nay not only that but we are reported to have claimed that there was no room for reforms. Let me tell you that these statements are misleading. On the contrary we have admitted that we are not perfect and like all human beings and institutions we also have our own faults, irregularities and errors. There is a proverb which says " To err is human". Has not the Government its own shortcomings. If so then what are we ? As soon as we come to know of our faults we take measures to remedy them. The very fact that we have been making additions and alterations from time to time in our rules proves that we are introducing reforms and better methods. As we gain experience, we progress in keeping with the times. Is not the introduction of the Clearing House an innovation ? We and the public have thereby secured equal advantages and protection. How did we accomplish this reform ? By preparing a draft of the rules and regulations, regarding the clearing arrangement. In the same way we cannot introduce reforms in our Association by words of mouth but by additions and alterations in our existing rules and regulations. We have already forwarded to the Government copies of our proposed rules and regulations. On a comparison of the old and the proposed rules anybody will find that the latter embody additions and alterations. If this is no reform, it passes my comprehension to imagine what else can be styled reform. Instead of stating at length various reforms we are going to introduce we have forwarded to the Government copies of our new rules and regulations from which it can readily be observed that we are ready and eager to introduce reforms for the interest and protection of the public. What more can we do ? We have asked the Government to suggest additions and alterations in our proposed rules. Gentlemen, my only regret is that we have not been able to pass our revised rules and regulations.

Mr. Firoze Jehangir and others :—The delay is due to unforeseen difficulties cropping up in our Bazar.

Mr. Shroff :—It is true. It is difficult for outsiders to adequately realise the perplexities and complications of the Share Bazar. I may tell you that whatever reforms have to be introduced in any stock exchange of the world should be introduced slowly and after due consideration. Reforms are to be made after gravely considering the results that may ensue at present or in future from them. Reforms cannot be introduced with electric speed because dangerous consequences might result therefrom. I will read here a passage from a London paper in connection with the last election of the Stock Exchange Committee there.

The Stock Exchange Election.

" If an election in which there are only 33 candidates competing for 30 vacancies can be called *sensational*, that word fits the result of yesterday's election of the new Stock Exchange Committee. The three candidates rejected were Sir Wilfrid Atlay, the chairman, and Messrs. Warwick Smith and W. H. Puckle, the two reform candidates. Sir Wilfrid Atlay has by common consent proved himself a most efficient and hard-working chairman and his unexpected defeat evoked much sympathy. So far as can be gathered, the chief reason for his failure at the poll was that many members who disapproved of some one or more of the numerous innovations introduced by the Committee during the past year chose to vent their discontent by striking out the name of the chairman. "

This incident will tell you the state of affairs prevailing in the London Stock Exchange,—one of the foremost and best stock exchanges of the world. Even there, members are averse to revolutionary changes and it was simply due to the rage with which Sir Wilfrid Atlay filled by his eagerness for speedy reform the members that he was thrown out at the election of the Committee in face of the fact that he was a man of wide experience and had served their committee for a very long time. Mr. William Dickison who is well known in the Edinburgh Stock Exchange recently delivered a lecture under the auspices of the Institute of Bankers in which he states :—

> " There is probably no important institution in the world which can be said to be more living, or more responsive to the rapid changes constantly taking place. It is therefore all-important that the controlling body should be able instantly to suspend or alter the course of business, and be able with absolute authority to give those swift and expert decisions which are so essential in Stock Exchange dealings. To give the Stock Exchange a charter would be to hamper it in its working and in its growth, and therefore in its usefulness to the investor. As a living organism, it is working its way constantly towards an improved constitution and service ; but the interests involved are so great, and the wisdom of past *slow developments* has been so abundantly proved by experience, *that success is unlikely to attend the efforts of any crusader who may set out to reform in a hurry* ".

Shortcomings and errors are found everywhere—in banks, governments and even in legislative bodies. As in other institutions so with us also there are defects. But I wish to know whether the Stock Exchange will be free from all defects if the same is placed under outside or Government control. Will they not commit errors ? Not at all. Does it mean that as soon as the Share Bazar is placed under outside control it will be administered by angels ? Human nature is the same everywhere, and there shall be errors and omissions but our duty is simply this and that is to rectify our errors as soon as we discover the same. Then do we not do these our duties ?

Our constitution is more similar to that of the New York Exchange than to that of the London Exchange. Our new rules are based on the rules of other big institutions of the kind and after a deep study thereof. Our rules are similar to those of London and New York Exchanges. The main difference is this namely that the committees there are vested with arbitrary powers relating to certain matters which we have not. The Committee of the London Stock Exchange can alter their rules and regulations whereas we cannot do anything without your sanction. In such matters our rules and regulations must be considered better. Some of their rules and regulations are unsuitable to us owing to different circumstances, conditions and methods of business prevailing here. I emphatically say that some of our methods are better than theirs. In New York there is daily settlement, in London fortnightly but we have monthly settlements. Movements are afoot in New York and London that their settlements are unsuited to the present times and they should have monthly settlements. A committee was appointed in New York and their report is already out and it favours monthly settlements. The real and main contested question in connection with the Stock Exchange is in regard to the rule for CORNER. Some honestly believe that the existence of this rule encourages the bears. My personal views with reference to this rule are known to all of you because I have got them published. Like me you are also anxious to have the rule altered or amended. We are not sleeping over the matter. The fact that we have appointed the CORNER COMMITTEE proves that we are ready and willing to improve this rule. Moreover our Association has at great expense taken advice of able counsel in conference at different times. They have not pronounced our rule illegal though they opine that it is vague. Thereupon we requested them to suggest and advise us as to what alterations can be made therein. But they are so far unable to make any practical suggestion. Such is our real difficulty regarding corners. The work of the corner committee is nearing its end and before the report can be framed and placed before you for your consideration, correspondence has ensued between us and the Government. We have already invited help and practical advice of the Government and we have asked them to show us the way out of our difficulties. But hitherto we have not received any reply from them nor is any measure suggested to us. My personal view at present is that as the Government is going to appoint a Committee of Inquiry we should desist from making any change in the existing rule before any suggestion regarding it is made by the Committee. We shall consider the remedy suggested by the Committee of Inquiry. I can assure you whatever alterations or additions we shall make in this rule, hereafter, we shall never succeed to satisfy the Bulls and the Bears.

Another allegation against us is that our resolutions regarding corners are not bona-fide and the members of the Board are influenced by their own position in the market. The Board passes resolutions favouring the bulls or the bears according as its members are bulls or bears. It is very easy to make these allegations by words and phrases but they are never proved to be true with facts and figures. Let these critics suppose that the Board declared a corner because the members constituting it were *all* bears but can any one of them venture to say that there was no corner and the board still declared a corner unfairly ? Where is the injustice in declaring a corner in shares in which there existed a real corner and what difference does it make whether the members were bulls or bears. I myself was a director when corners in Fazal, Finlay, David and Currim were declared and emphatically say that the Board at all times acted fairly and justly in exercising the power vested in them by corner rules and we have facts and figures in proof thereof. These facts and figures are with the Bank of India Clearing House and they are so clear and lucid that the most ignorant person can be easily convinced that there was a corner at all these times. But not satisfied with this I shall go a step further and say that operators of the corner in all cases at length admitted that there was a corner and they appoached the Board with a view to arrive at some sort of settlement and a compromise was arrived at to fix a settlement rate. But at the time of the last corner the market was evidently rigged and I was forced to close the market at once. The rigging was manipulated by the cornering party by giving orders for sale and purchase to their own brokers and hence no rate was arrived at by compromise. At the time the cornering party suggested that I should intervene and induce the Board to fix a settlement rate in consultation with him but I declined to do so. In face of these facts how can the allegation be taken as true even for a moment that the resolutions of the Board were one-sided and not bona-fide. Only that the Association never took any steps to defend itself publicly that these censors have succeeded in their attempts. The real thing at issue at times of corner was as to the rate of settlement and that was the cause of dispute. But at length the matter was settled in each case by compromise and the resolution of the Board was accepted by every member. The cornering party knew full well beforehand that there was a rule in existence relating to corners and that he was operating in the market subject to that rule. Now the Board had to administer justice in accordance with the terms and spirit of this rule regardless of the fact whether the same was to the palate of a certain party or not. It would have been reasonable if one who found this rule one-sided had criticised the same and I would have welcomed such criticism ; but no useful purpose will be served by hurling false, allegations against the Committee. If the COMMITTEE OF INQUIRY will go into this matter they will come to the conclusion that the Board's resolutions were in confirmity with our rules and were not in their own interest. But whether the rule is reasonable or not is an altogether extraneous matter. As long as the rule is in existence myself and other directors have to act accordingly or to resign. Now we have removed the complaints in respect of closing of our market. We have now remedied the inconvenience caused by the closing of our market in honour of the memory of a deceased member and in such cases we have resolved to keep our bazar open as to carry out settlement work with the public. The public will not be put to any inconvenience, if we do not do any fresh business on such days but by so doing we shall sacrifice our own income. We have already put this rule into force. After this rule was passed two of our members died but instead of keeping our bazar closed as usual on these occasions we have kept it open for the payment and delivery of shares. It is fortunate that we introduced this reform before we interviewed the Government otherwise it would have been criticised in papers that the fear of Government interference scared us into introducing that reform. Criticisms of every description have been passed against us but on no occasion have we made our defence.

We cannot hit upon any remedy against closing of our market during settling days. The public have no idea as to the risk of keeping our market open in these days ; if they had they would desist from making such criticism. If the Bank of India is in a position to declare the result of a settlement one day earlier we can manage to shorten the period of the closing of the market by one day. Before the Clearing work was entrusted to the Bank of India we inquired of the Imperial Bank whether it would take up the work but looking to the vast volume of business it expressed its inability to clear all cheques in one day. It will be difficult for the public to conceive an adequate idea as to the volume and complexity of the work which the Imperial Bank with such huge resources at its back was unable to accomplish. How can the Share Bazar be expected to execute the work with ease ? So looking to the present circumstances it is well nigh impossible to introduce reforms in the matter. In the London Stock Exchange though the bazar is not officially closed during the settling days members find it difficult to do any business and practically there even every fortnight three or four days pass as holidays. I have read in a London paper that in London many are of opinion that they should have a monthly settlement. We are also accused of arbitrarily closing the market to serve a particular interest. To my knowledge such incidents have happened only twice and then even our object was to save the slaughter of the innocent. I am simply surprised as to how can a particular man gain or lose by temporary closing of the market. The bazar is similarly kept closed at the time of panic, crisis or under extraordinary circumstances. I cannot still imagine where is the wrong in closing the market. Such powers are absolutely necessary for the benefit and protection of the public and all the exchanges in the world enjoy these powers, Our bazar is vested with such powers and I am of opinion that the same ought to continue. On the day the last European war was declared the London Stock Exchange was shut. The New York Exchange was open that day but it was so much flooded with orders for the sale of securities from foreign countries that the President wisely saw the necessity of closing the market for the good of the country. Mr. Meeker in his book " Work of the Stock Exchange" says that had the exchange been kept open Germany would have got an opportunity of selling its American securities worth crores of dollars and this would have served it exceedingly in winning the war. If the New York Exchange had been incorporated for which unreasonable demands are made by the public the president would not have been able to close the exchange and a friend of Germany with the object of lending her assistance might have obtained an injunction against the arbitrary step of the president. Mr. J. E. Meeker says as follows :—

> " It is generally appreciated that in the unprecedented summer of 1914, the governors of the Stock Exchange literally averted what would have been the *most appalling panic* in our history, by closing the Stock Exchange

> at the psychological and economic moment. The delay of a day—yes, of even an hour—in closing might have spelled *ruin and disaster* to America. It might have proved no little advantage to Imperial Germany, for example, had the Stock Exchange on July 31st, 1914, been incorporated, and at the mercy of her swarm of spies and propagandists then in our midst, unknown and unsuspected, who by court proceedings could have brought an injunction to prevent the prompt closing of the Exchange. "

Now the price of our card which is as high as Rs. 40,000 is also made the subject of a complaint. Our attention to this was specially drawn by His Excellency. The fixing of the price of the card is a thing which relates to the internal management of the bazaar and no one has a right to interfere therein. The public as well as the Government have nothing to do with it. This is a very important question. For instance, suppose we purchase a property to-morrow can the public or the Government question as to why we paid such a high price for the same. In the same way we have the right to decide whom we should or should not admit as members in our Association as well as to fix the price of the card and nobody has a right to interfere. Consequently with regard to the price of the card we had informed the Government that outsiders have no right to interfere in the internal business of the Association. In spite of this a section of the press only with a view to mislead the public have deliberately omitted the word " internal " and have consequently ministerpreted us by reporting to the public that we claimed that no one has a right to interfere in our business. This is only a device to prejudice the public with distrust and suspicion against us. We have never said that the public have no right to interfere in such of our affairs in which the public are interested. I repeat with emphasis that we were quite justified in saying that the public have no right to interfere in our *internal* affairs.

The Committee of the New York Exchange excluded the Commercial Telegram Company from the privilege of collecting quotations on floor of the Exchange. The company thereupon obtained an injunction on the ground that the Stock Exchange exists for the benefit of the public and it was against the public policy to refuse to give quotations. The Court dismissed the injunction and held that the exchange was entitled to carry on its business at its discretion and nobody could interfere in its work. The Court concluded that :—

" People therefore have no right to interfere in the transaction of its business to any greater extent than they have in that of any individual ".

From this you will observe that certain presses out of motives make such false allegations against us. I shall point out to you similar other instances as I proceed.

We have given to the Government full explanation in respect of all the alleged grievances against us. Thereupon His Excellency had invited us at Ganeshkhind on the 28th July last for an interview but as it did not suit all the directors to go to Poona that day I saw His Excellency at the Government House at Ganeshkhind after making an appointment over the telephone. At that time he told me " I am not satisfied with your reply. Where is the guarantee that the new rules will be observed and enforced ? What will be the highest financial penalty for those who violate them ? Who will be the guardian of your rules ? " Replying to these queries I stated that if the rules and regulations are not put into force and if they are maladministered then and in that case His Majesty's Courts were open to the injured parties and said that there cannot be any tribunal higher than this. Moreover we had power to suspend or expel our members. But His Excellency was not satisfied with these suggestions and remarked that there should be some place other than the Court where protection could be sought, and proposed that a Committee consisting of outsiders should be appointed so as to avoid the inconvenience and delay caused by a recourse to a Court of Law.

Some members :—Will the members of the Committee be abler than judges even ? Is it likely that they all will be disinterested ?

Mr. Shroff :—It will be settled later on by what name this Committee will be styled; but the work of the committee will be that of a committee of appeal or supervision. A member or two of our Association, a member of the Indian Merchants' Chamber, Chamber of Commerce, Mill Owners' Association and a representative of the Banks will constitute the Committee. The work of the Committee will be to see whether our rules and regulations are properly enforced or not and to entertain appeals from our decisions and their decision will be final. Now how is the public to be benefited if no appeal to His Majesty's Courts is allowed from their decision ? If their decision is not to be treated as final but an appeal can be preferred thereon where is the utility of such a committee ? Then where is the difficulty in appealing direct to the Court of Law from our decision ? According to our existing rules any member can get a decision against us from a Court of Law in case our decision is deemed illegal or one-sided. The same practice prevails in New York but not in London. There the members cannot impeach the decision of their Board in a Court of Law. This is one more arbitrary power enjoyed by the London Stock Exchange. Mr. William Dickison in his lecture say :—

" In New York, the disciplinary action of the Committee is open to appeal in the Law Courts, but in this country the decision of the ruling Committee is final, and without any possible appeal, and were the Stock Exchange to forsake its present constitution, and seek a charter of incorporation, as is frequently suggested, this complete domestic control would be jeopardised. "

In this connection a writing appearing in the issue of the Hindi Punch of the 19th August is worth reading; I am reading only one passage therefrom :—

> " This thing (appointment of a committee of outsiders) does not sound well. This is something like baking one's bread on another's fire (Cocks make free of horses' corn). It is said that the Board is not independent and gives its decision to the side of either Bull or Bear which they want to favour. Good. Granted but where is the guarantee that the independent outsiders will not do the like ? What assurance is there that once they are in they will not be lured to speculate ? Is their any restriction on their actions ? If so, would it not be inviting greater evils than those which are sought to be avoided ? " (King Log to King Stork).

Excepting the agents and directors of Mills and Joint Stock companies and their friends who else would be elected as members on the Committee of Appeal who would not have a direct or indirect interest in the business of the Share Bazaar ? The prejudice against our bazaar is simply due to these outside speculators. It is simply inconceivable what these people will not be able to do when once they are in the share bazaar when they have succeeded in accomplishing so much from outside ? It is due to their mismanagement and mistakes that poor investing public have lost their savings of their whole life. Will these well-known men look after the interest of their own mills and companies or that of the public ? It is a known fact that they have not uptill now safeguarded the interests of the public. An incident has taken place recently which has thrown your Committee into confusion. The purchasers of the shares of the Tata Oil Mills after making payments to the vendors from where the shares were bought lodged the shares for registration with the company and the company issued temporary receipts for the same, and share certificates were not exchanged. After a lapse of six months the company now declines to register the shares in the names of the purchasers. It is true that they are entitled to do so according to the Articles of Association. The reason is that the company declines to transfer the shares of the old issue where the transferors hold shares of the New Issue. There is nothing in the purchaser which would prevent him from being approved and it is to be surprised that the company has taken this matter in hand after sitting over it for full six months. The company has put the poor investing public into perplexing difficulties by its arbitrary action in order to serve its own interest. Now the sellers will have to receive back the shares from the purchasers after refunding the price of the shares. Will they now refund the price ? The purchasers will have to recover the money after undergoing the trouble of a recourse to a Court of Law. Is it justifiable that the company should by an arbitrary exercise of its powers put the poor investing public into trouble and difficulties ? There is nothing to be surprised if the public get thus frightened and desist hereafter from investing their money in shares ? And ultimately who is held responsible for all this on the score that the interest of the public are not safeguarded ? The Share Bazaar. His Excellency told us that small investors are frightened out of the Share bazaar and invest their money in government securities, and that no doubt this is advantageous to the Government but the interest of small investors ought to be protected to promote Art and Industry.

Now we have to see what steps the Indian Merchants Chamber and Government take in the matter of the Tata Oil Mills for the public benefit and protection. We have interfered and we shall have in the future, to interfere in such matters for the protection of the public and if our decisions are liable to be revised by outsiders is it ever possible that such men will protect the interests of the public as we do in matters in which their own interests is also involved. Thus it was that by a timely interference we prevented transaction of business of the shares of new companies in our bazaar and have thus given a very great protection to the public whereas in reality they have been robbed of their wealth by outsiders.

We see now-a-days that in general meetings of companies, shareholders holding a very small interest in the company—a holding of 5 to 10 shares worth 2 to 5 hundred rupees—kick up a row out of self-interest causing great injuries to the company. They cry out against the mismanagement of the company in the name of the public with the result that the company suffers much damage therefrom. As I have already said all are prone to errors and if the Directors of a company have committed errors it is not be wondered at, and it will not result in good to destroy a country's Art and Industry by causing arm to the work of a well-established company. This is the reason which led to the amalgamation of the Tata Bank, which had a promising aspect before it, with the Central Bank. Some of its shareholders at its general meetings loudly complained that there was a large European element in the staff, that the natives needed encouragement, that the expenses were enormous and they consequently refused to pass the balance sheet. In what did all this result?

The most pernicious effect was produced in England, America and other countries regarding this bank. The credit of the bank received a severe shock and some of the firms of those countries having their branches here decided not to do any business with this bank. The working capital of the bank was reduced. Since that day the bank's business grew leaner and leaner. In the meantime the Alliance Bank broke down and once again in the meeting of the Tata Bank storms took place with the result that account-holders and depositors withdrew their money speedily and the bank would have been forced to close its doors had it not been for the successful scheme of its amalgamation with the Central Bank. We all have our sympathy with the resolution passed by the Indian Merchants' Chamber disapproving the conduct of such shareholders and I on my part welcome the same. But let me add that the resolution was not complete and was one-sided. At times some agents and dircetors of Joint Stock Companies are very arbitrary. I have just referred to the arbitrary actions of agents of the Tata Oil Mills. Simultaneously with that resolution the committee ought to have passed a resolution regarding such conduct of agents and directors but they have failed in doing that part of their duty and such a resolution was passed in a general meeting by the members of the Chamber. It would have been more honourable if the Committee itself had passed the resolution in the beginning. This clearly shows where self-interest does not prevail.

Those who complain against us in press and elsewhere are not *bona fide* investors but mere speculators. These speculators having failed in their aims criticise our bazar in any way they like. It is due to the manipulations engineered by these speculators that false allegations are spread against us. The press even gives credence to such allegations. Such critics do not dare to give out their names. The fact that they write anonymous letters and articles in papers indicates that they are impotent and cowards. Why should they not come out in their true names if they have a real desire to serve the public. The public will hail them if they do so but they know that they work for their own interest in the name of the public and if they were to disclose their names they would be hooted out by the public. Some of the writers are not even acquainted with the rudiments of the science of the stock Exchange. For instance I have a clerk who contributes writings to a press on matters connected with the Stock Exchange. Although he is a man of poor parts he believes himself wiser and more learned than I and tries to give us all advice. It is a matter of regret that papers spare room for the writings of such smatterers and allow the public to be thus misled. There is nothing to be surprised if the public, owing to a lack of complete and real knowledge of the stock Exchange, are led astray by such writings. With reference to this matter I shall point out another passage from the lecture of Mr. William Dickison:

"Attempts have been made at various times to legislate control of the Stock Exchange and the dealings which take place there in securities, but as most of these attempts arose through *lack of knowledge* or *real understanding* of Stock Exchange business and practice, they failed to do more than hamper business and were soon abandoned."

How can we acquiesce in the appointment of a Committee of Appeal simply because these false allegations have been levelled agianst us and no attempt is made to find out whether they are true or false. This is a step which is calculated to tarnish our good reputation. At the time of my interview with His Excellency I told him that he was welcomed to appoint the Enquiry Committee which he was so reluctant to do. Our committee agreed with me and repeated the same request in our letter to His Excellency in the hope that the public may get an opportunity of knowing whether the allegations against us are true or false. Gentlemen, I fully trust that we shall be benefited by the appointment of such a committee. We shall get an opportunity of proving that the alleged grievances against us are all hollow. We shall assure the committee that it is dangerous to allow outsiders to take any part in the administration of share bazar. Besides we shall gain by the recommendations made by the committee if they are really beneficial to us and we shall be too much pleased to accept them if the same will be found practicable. I do not however believe that they would be in a position to suggest any further improvements and alterations than we have proposed to introduce.

We have asked for the appointment of such a committee in our letter of the 6th August and in pursuance of the said letter His Excellency published his decision for the appointment of a committee on the 11th August, *i.e.*, 5 days after the receipt of our letter. In spite of these clear facts a section of the press have made false criticisms against our Association. I will read these criticisms from one paper.

"When the leaders of the share bazar did not care a whit for the public and made no improvement whatsoever in the mismanagement of the Bazar and completely set at naught the public voice, the Government has no recourse but to accept the recommendation of the Legislative Council to appoint a committee to enquire into the working of the share bazaar and at last the President and the Committee of the Brokers' Association have to submit to the same with their heads hanging low."

This is an absolutely delusive story. Why should we submit with our heads hanging low? On the contrary we have made such a request to Government. In another paper the following heading in big type is printed:

"*The Association's Demand for Public Inquiry into the Present Management of the Share Bazaar.*"

On the same page of the same paper one of its correspondents writes:

"In a few days the committee will commence its work. This last news has to some extent perplexed the managers of the share bazaar. Though this step of the Government will receive universal support of the public it will be considered by the "Shethias" of the share bazaar as an usurpation of their rights." Gentlemen, there is nothing to be wondered at, if the public are led astray by reading often such false and misleading criticism. Such remarks are made without any effort to know the truth. By pointing out these remarks I only want to prove to what extent such people are prejudiced against us. It is in consequence of this prejudice only that they go on making such false unintelligent criticism in the absence of true facts to guide them. Such remarks are also made in a leading paper like the Times of India.

His Excellency informed me of his intention to call an expert from the London Stock Exchange on the Committee of Inquiry on special duty. We have made such a demand of Government knowing that we will be much benefited. We will derive some benefit only if there are such men on the committee. They must be fully cognisant with the machinery of the Stock Exchange and will easily grasp our difficulties. It will be hard to find such experienced men amongst us here. You are aware that some people opened the new Stock Exchange on the specious plea that they were dissatisfied with our administration. The promoters of the bazaar admitted non-members on their committee. They vaingloriously talked of removing the grievances alleged against us and of managing the bazaar in a way best calculated to safeguard the interests of the public. If the public had lost faith in us as is alleged then in that case the public would have given their support to the new bazar which would have flourished and ours would have been ruined. But the public know very well what has happened. Speculators even did not give their support to that bazar—not to speak of investors—and ultimately it had to close its doors. It would not have pulled on for three years even had it not been for the encouragement unfortunately given to it by our members. Evidently they were forced to adopt the same rules and methods prevailing in our bazar which they had flouted in the public. They had no other alternative. Ultimately they made us an offer for amalgamation and showed their readiness to pay a fee of Rs. 30,000 for each member of the new bazar, but the same was not accepted. Is this not a positive proof that we have not lost the confidence of the public. Shares of the Tata Bank, Scindia and such other new companies were admitted there for forward transaction. The result was that many speculators made short sales in these shares at very big and fictitious *premia* causing ruin of innocent poor and ultimately the bazaar came to great grief. In this way the bazaar proved a complete failure in protecting the interests of small investors and the reasons how these blunders came to be committed are to be attributed to the presence of outsiders on the managing committee not having thorough knowledge of the Stock Exchange.

Before I complete my speech I wish to draw your attention to one more point. In one paper a meaningless remark is made that in one of our proposed rules it is stated that the bazaar is established for the protection of the character, status and interests of brokers. The writer states that nothing therein is mentioned about the public. After reading the article I believe that the writer gives sufficient indication of the absence of any knowledge or experience of a Stock Exchange. The protection that is to be afforded to the public will not be so afforded by mere words to that effect appearing in the book containing the rules and regulations but our actions must show whether that protection is given or not. It is to be seen whether or not the existing rules aim at affording protection to the public. Besides this by stating only the first portion of the rule he tries to mislead the public. The whole rule aspires to be moral and runs as follows :

> " The said Exchange is established to support and protect the character status, and interests of brokers, dealing in Bombay in shares, stock, and other like securities and exchange, to promote honourable practice, to discourage and to suppress malpractices, to settle disputes amongst brokers, to decide all questions of usage or courtesy in conducting brokerage business. "

The public can get protection only if the share bazaar is managed with this object. From this, gentlemen, you will observe that this rule is regarding only the ethical purpose of the brokers. Such a clear rule relating to morality is not to be found in London Stock Exchange but it is to be found in other Stock Exchanges, even where the word " PUBLIC " is not inserted. I challenge this writer to show me the word " PUBLIC " in such a rule of any Stock Exchange. I am prepared to point out the rules of many Stock Exchanges in which words similar to those embodied in our rule are used without the insertion of the word " PUBLIC ". And this is quite right. These remarks are meaningless and ridiculous. Gentlemen, I thank you all for hearing me with patience and giving support and approval to my views by acclamations off and on. Now I call upon any member who has something to say in this matter to speak out.

Mr. Ardeshir Hormusji Madan.—Gentlemen, I told His Excellency at the time of our interview that the generalised grievances which he enumerated had often been published and wanted to know whether he had from his complainants any specific grievances and if so requested His Excellency to furnish us with a plaint of such grievances in clear language. His Excellency stated that he had not with him such details and was unable to furnish them and that he did not want to enter into any discussion regarding them. Now gentlemen, if you think that the explanation given to you by our President is satisfactory then in that case it is necessary that you should pass a suitable resolution in this matter.

Mr. Jehangir Hormusji Gazdar.—I am of opinion that the Honourable the Advocate General Mr. Jamsetji B. Kanga who possesses a deep knowledge of the rules and regulations of our bazaar and who has given learned decisions as a judge in some of the suits connected with the Share Bazaar should be appointed on the Inquiry Committee.

Mr. Maneckji Pestonji Bharucha.—The prestige of our Bazaar must be maintained for ever.

The following resolution was moved by Mr. Varjivan Tribhovandas and supported by Mr. Bhaichand Chunibhai Vakilna :—

> " After hearing the explanation given by the President regarding the interview the President and the members of the Board had with His Excellency the Governor of Bombay in connection with our Association this meeting resolves that they consider the replies given to Government reasonable and satisfactory and approve and confirm the same. "

On putting the above resolution to vote the same was passed unanimously.

After transacting other business before the meeting the proceedings terminated with a cordial vote of thanks to the President.

RAJENDRA SOMNARAYAN,
Hon. Secretary and Treasurer.

THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION.

18th September 1923.

An extraordinary general meeting of the members of the above Association was held at Sir Dinshaw Petit Native Brokers' Exchange Hall at 2-30 p.m. on Tuesday the 18th instant under the presidentship of Mr. K. R. P. Shroff.

At the commencement the President delivered the following speech:—

Gentlemen, before we take in hand to-day the work before us I have to render you certain explanations. Last time when we met together I was obliged to leave off certain points from my speech, which was rather lengthy and as there was also other business to be transacted, I did not then touch these points specially so as not to tax your patience too much. At that time I had to draw your particular attention to an important point which was also unfortunately left out. I would be failing in my duty if I let this opportunity go without referring to that subject. I had to inform you particularly that at the time of our interview with His Excellency, we all were well received by him and were firmly impressed that he was in no way prejudiced against us. He expressed his views with frankness. Our Association is indeed much thankful to His Excellency, because I take it that the kind reception which was accorded to me was not in my personal capacity but as a representative of the Association.

When I referred to Sir W. Atlay at the last meeting, none of us had the least notion that such an eminent and experienced person as the ex-chairman of the London Stock Exchange would be appointed a chairman of the INQUIRY COMMITTEE. This appointment assured us that the object of His Excellency was to do justice to us. But in order to fully carry out this object it was essential that other members of the committee should have been men possessing similar experience and such as had no interest in the Share Bazaar transactions. Those who are directly or indirectly connected with the Share Bazaar will not succeed in securing confidence of us or of the public.

I fully trust that you will agree with the Committee in their opinion that our Association should be represented by one of its members on the Inquiry Committee and a requisition to the Government was made by your committee to that effect. At that time a section of the press gave us their support on the ground that our request was reasonable. At the last meeting I pointed out that there was another section of the press besides some critics who, out of their own selfish interest, suppressed real facts and published statements which were opposed to truth with a view to mislead the public. Other incidents which have happened since then further support our complaints. There is not the slightest doubt that we were all rejoiced at the news that an expert like Sir W. Atlay was appointed chairman of the Inquiry Committee. We are of opinion that we could not have had a better chairman than him. Moreover we specially requested Government to appoint an able expert in our letter to them of the 6th August and the request was repeated at our meeting held on the 21st August. In spite of this fact, it is a matter of regret that a leading paper like the Times of India in its issue of the 31st. August should, instead of publishing the true facts, have presented to its readers the novel news belows quoted :—

> " The news that Sir Wilfred Atlay, the chairman of the London Stock Exchange, is coming to Bombay to preside over a committee of inquiry into the present condition of the Bombay Share Bazaar has had time to soak into the minds of the public. To our surprise, it has caused no perturbation in the market. We had expected that there would be at least one day's hartal (strike), and so to speak, a rush of Bears to cover. Instead, the news has been received tranquilly. If it is the tranquillity of despair, one naturally sympathises with the Board of the Bazaar."

In truth, any other appointment save that of an expert like Sir W. Atlay would have led to agitation in the Bazar or would have been completely condemned.

It is not unlikely that our opponents will in the same way try to misrepresent facts before the Inquiry Committee. Hence if we were represented on the committee, our representative would have been able to correct such misrepresentations or erroneous conceptions and had an opportunity of placing the true facts before the committee. I may further point out to you that in our letter to His Excellency on this matter we observed as under :—

> " My Committee denies that on any occasion the market was closed to suit particular interest of the members or their clients."

In this connection, His Excellency told me that when he talked to his friends about our denial as to the arbitrary closing of the market they laughed it out and stated that they were prepared to say on oath that our reply was not true. You are acquainted with the true facts. We have never acted in that way. I am also prepared to declare on oath that the market was closed on two occasions only and that was to prevent the slaughter of the innocent. In spite of this, according to His Excellency, there are men who are prepared to swear to the untrue facts. I am sure there is some misunderstanding on the part to these men. If such untrue evidence is given before the Inquiry Committee, then you will agree with us that the appointment of our representative on the committee was absolutely essential, because in that case he could in his cross-examination of witnesses have brought to the surface the true facts. The Committee ought to have comprised representatives of both sides. Otherwise no useful purpose would be served by one-sided enquiry. It is a matter of regret that as desired by our committee, His Excellency did not see the expediency of appointing an experienced member of our Association on the Committee.

We have specially demanded the appointment of an independent and disinterested Enquiry Committee and we were ready to give it all possible assistance at our command. The work of the committee would not be smooth and successful without our co-operation. We therefore desired to co-operate with the Government so that we ourselves and the public might be the gainer by the investigation. But it is evident that the Government does not want to co-operate with us by omitting to appoint a member of our Association on the Committee. The appointment of our member would not have resulted in disadvantage but he would have on the contrary assisted them in their deliberations in order to arrive at the right recommendations. We are not bound to adopt all the suggestions which may prove to be impracticable. For instance the Times states that Sir W. Atlay will suggest fortnightly settlements as in London. Sir W. Atlay knows full well that Bombay is not London. Moreover I beg to draw your attention to the following article, which appeared in a London paper recently :

Stock Exchange Settlements.

> " From numerous communications we have received it is obvious that not only the public, but also members of the Stock Exchange, are thoroughly dissatisfied with the present system of fortnightly accounts. As one member writing last week, pointed out. " To-day (Friday) is taken up with the arrangements of preliminaries for the mining carry-over—by the way, no one would open commitments on a Friday which comes on the 13th of the month—to-morrow is a *dies non* ; Monday will be occupied with the carry-over ; Tuesday sees the general carry-over in progress ; Wednesday is ticket-day ; Thursday is pay day and Friday is the last dealing day of the week. The whole of Monday, Tuesday, Wednesday and Thursday are available for ordinary business—a fortnight hence, and then comes another absurd preliminary arrangement day." It certainly does seem unnecessary that five working days out of every ten should be taken up with technical details, but the matter is perhaps almost entirely of a domestic nature from a Stock Exchange point of view. At any rate, it is open to members to impress their views, which are being forcibly expressed at the moment, on the Committee, which body might perhaps seriously consider the alternative suggestion of a monthly settlement. We are not aware that there is any insuperable objection to such an arrangement."

You will see from this article that even in London the public as well as a number of Brokers are in favour of monthly settlements. Now we do not know whether Sir W. Atlay is in favour of these views or not. He is welcome to his views whatever they may be ; but looking to the conditions prevailing here and the Clearing House machinery, you will agree with me that such a suggestion, if made, will not be practicable. We cannot accept it. If there is our representative on the committee, he would have been of immense use in cases where a suggestion of this nature is made. He could have pointed out to the Committee our difficulties and embarrassments. It is a wrong idea to suppose that the suggestions made by the Inquiry Committee must be accepted. How can we accept those methods which may appear to us to be absolutely impracticable. " Economist " of the 26th May 1923 states as follows with reference to the non-acceptance of the suggestions made by the Royal Commission appointed in 1877.

> " The Royal Commission appointed in the year 1877 to look into the affairs of the Stock Exchange offered very few suggestions that might be called novel, and none, in fact, that were actually accepted."

The Government have often appointed commissions and committees in the interests of the public but the Government itself has not always wholly acted up to the suggestions offered by them, because of the impracticability of some of them. The Government had lately appointed a committee with reference to Government Securities, but not even a single suggestion was accepted in view of the infeasibility to do so. I will read some sentences from the article appearing in the Economist of 26th May 1923 regarding London Stock Exchange :

> " The main criticisms directed against the House at the present time are invariably aimed at what is termed the archaic nature of its legislation, and the fine flavour of antiquity which hangs about its rules. Those rules themselves are founded upon the original set that were drawn up by the men who formed the first Stock Exchange, and who banded themselves together for the conduct of public business in stocks and shares…………………………………There can be no doubt that a thorough revision of the Stock Exchange rules would be of sensible advantage to the House and to the public. Some of the rules may be read as contradictory, others are couched in language which baffles even the wit of experienced members to understand………………………………… A great deal of mystery and misunderstanding continues to drape Stock Exchange affairs in the eyes of the public. To remove this obscurity, a more modern rendering of the rules would contribute in no small degree……………… It is easy enough to cry over the modernisation of an institution like the Stock Exchange, which has lasted for so long, and whose official list can be traced back, in the Stock Exchange reading room, to the year 1697. Tradition and precedent make a formidable pair of opponents to those who would lay revolutionary hands upon Stock Exchange rules, customs and usages."

From this you will see that there are similar complaints against London Stock Exchange also. The public will never realise how difficult is the task of making all the improvements, additions and alterations at once which could not be done in the leading exchange like that of London. But it is satisfactory that Sir W. Atlay is coming amongst us thoroughly acquainted with all these difficulties. But the critics of the Share Bazaar will be in a state of despair on knowing that he is not bringing with him a magic wand.

Further we have to request the Government that all evidence should be taken in open court and not in camera. It is necessary that those who are really guilty should be exposed, whether they may be members of the Association or outsiders—whether they may be rich or poor. What does it matter, if I or one of you may be amongst them. When parties concerned have lodged their complaints with the Governor in the name of the public and when the cost of the appointment of this committee will come from public funds, it stands to reason that the public should know every particular regarding the investigation. The public will get a chance of knowing the names of the persons, who would come before the committee as benefactors of the public to lay their grievances before it. The public will also know what their complaints are and whether the complainants are *bona fide* investors or mere speculators and whether among the complainants there are any excepting those who have promoted new companies and accepting offices as Directors and Agents have ultimately despoiled the public of their wealth. All these details must come out.

The Government have to-day published the names of persons who are appointed members of the Committee of Inquiry. I should say it would bode no good. Three of them are no doubt names of persons who are independent but the rest are names of directors and agents of several mills and other joint stock companies whose securities are extensively speculated on the Exchange.

Moreover it is alleged that some of them were indirectly connected with the ruinous speculative transactions of last year and still supposed to be interested in the transactions of several securities on forward list.

You will agree with me that the Government has neither been at all well-advised nor well-informed. Indeed they need never have troubled themselves with the appointment of such a committee. Neither we nor the unbiassed and disinterested public can have any confidence in such a Committee save and except the three independent names.

Were the object of the Government to arrive at the truth and nothing but the truth and to render the good it has at heart in public interest, then I should say and you will agree with me that the composition of the majority of the Committee should have been entirely of a different character from what it is. I therefore propose to adjourn the meeting with a view that our Committee may submit their protest against the composition of the majority of the Committee of Inquiry.

Mr. A. H. Madan :—Gentlemen, I have to say a few words in support of the remarks made by our President. It is the opinion and desire of your Board that the Government ought to have appointed a member of our Association as our representative on the Inquiry Committee, the names of the members constituting which are officially given out to-day, so that he might have by cross-examination of an outside witness pointed out to the Inquiry Committee before their report is drawn any misconceptions which according to our standpoint might have been found in the examination of such outside witness. If this had been done we would have got every satisfaction and there would have been no room for grumbling. Now that the Government has not seen their way to appoint one of our members on the said committee your Board will have to consider what requisition should be made to the Government in the matter which will be placed before you for your confirmation at a meeting which will be urgently convened.

I hope you gentlemen, will agree with my views in this matter.

Mr. Phiroze Jehangir. With reference to the appointment of the Inquiry Committee we have a two-fold work to perform. First we have to make a representation to the Government impressing upon them the absolute necessity of our representative on the said Committee and suggesting the name of our President for the same and secondly we have to enter our emphatic protest against the composition of the said Committee recording our entire dissatisfaction at the appointment of certain persons thereon. Of course we cannot declare our disapproval of particular persons by giving out their names here but we can do so confidentially should the Government be pleased to know the same.

Mr. Amratlal Ratanchand. I exhort you all in the good name of our Association to be faithful to our Association by producing your books before the Inquiry Committee should their production be necessary in order to prove that some of the members of the Inquiry Committee were themselves involved in speculations on our Exchange I strongly appeal to you not to feel at all diffident with the idea that the names of your constituents would thereby be disclosed and their position will consequently be compromised. You will deem it your paramount duty to serve your Association and hope that you will lay aside all other considerations in the discharge of that duty.

The following resolution was passed :—

> In view of the fact that no member of the Association is included in the Committee of Inquiry appointed by the Government this meeting hereby resolves that a representation be made by the Committee to the Government suggesting the name of the President as representative of the Association on the same.
>
> This meeting further resolves that the Committee on behalf of the general body of the Association do protest against the composition of the said Committee of Inquiry which is most unsatisfactory.

After transacting other business the meeting dissolved after a cordial vote of thanks to the President.

Proceedings of the Extraordinary General Meeting of the Native Share and Stock Brokers' Association.

Thursday, 11th October 1923.

The said meeting was held in the Sir Dinshaw Petit Native Brokers' Exchange Hall at 2 p.m. on the 11th instant when Mr. K. R. P. Shroff presided. After the notice convening the meeting and the minutes of the last extraordinary general meeting were read and signed the President addressed as follows :—

> Gentlemen, as you are aware we have assembled here to-day to admit 11 new companies to the Forward list. It is likely that some critics may perhaps attack us by saying that we thus encourage speculation. They want forward business to be discontinued in our bazaar and desire that only cash business should be allowed. In their minds, the share bazaar is a race course or a gambling house and its members are merely gamblers. But such critics forget that " Pure gamblers do not last long on the Stock Exchange or any where else. " A man can, of course, lose just as much money in unwise speculation as he can by betting at the races, yet it does not follow that a stock market is a race course or that a race course is a stock market. Speculation, in the best mercantile acceptation of the term, is indispensible in all markets. Every business in any part of the world owes its existence to speculation. We cannot progress without speculation. The present wealth and position of America is mainly due to ventures and enterprises in which enter the elements of sound healthy speculation. America has therefore long been known as a " Nation of speculators ". Speculation was in existence hundreds of years prior to the growth of the various markets in the world. Hence it is evident that speculation created the Exchanges and it argues lack of correct knowledge to say that the Exchanges gave birth to speculation. In these days of motors and motor lorries, accidents are far more numerous than in the old days of horse-carriages and bullock-carts. Yet it does not constitute a valid reason that motor cars and motor lorries should be abolished. In the same way, because some reckless people, with a master passion for gambling in shares, come to grief in the share bazaar, there can be no justification that the share bazaar should close its work which is useful and beneficial to the public. Speculation is going on similarly in all the exchanges of the world.

From the conversation we had with His Excellency the Governor, we concluded that it was not the intention of his Government to stop forward transactions which are no doubt essential to the very life of the Stock Exchange, but it was his intention to see that a fair play was given to both Bulls and Bears. The Government has embarked on a colossal scheme of development costing crores. Have they not entered into speculation in launching the scheme as a paying concern ?

Forward and Badli (contango) business are absolutely essential for the facilities of Stock Exchange. Now if reckless people abuse the advantage which these facilities afford, why should the blame be thrown at the door of the share bazaar ?

If we express our views on such a difficult and misunderstood subject as speculation our opponents will make retort by saying that we are all big speculators or they will question our qualifications to speak on such a subject. Consequently rather than express my own personal views on this subject I shall quote the views expressed by eminent men who are recognised as authority by the whole world.

" Although stock exchange transactions, " said Mr. Lloyd George, the ex-British Premier, " are in the main speculative transactions, and do at times, like all speculative transactions, degenerate into mere gambling, it is a mistake to suppose that this is their essential characteristic or pervading characteristic. In their proper place, they form part of the legitimate machinery for discounting fluctuations in value, necessary not only to the stock exchange, but to every sphere of commercial activity."

" Something magic there is about the ten-lettered word SPECULATOR to-day, which in a moment can make the average man exceedingly indignant, although in most cases he would not to save himself explain clearly and from an economic standpoint just what speculation is or why it is so reprehensible."

" It should be noticed that investment and speculation are alike in that they both involve a genuine exchange of ownership of actual property. All orders, whether for investment or speculation, are executed and cleared in exactly the same way in the Stock Exchanges."

" A Savings Bank account is a almost completely non-speculative investment, for there is no chance for appreciation of principal but simply an income derived from it, yet even here the failure of the bank and a consequent depreciation of the principal might conceivably enter into the case."

Before the war the safest investment security in India certainly was 3½ per cent. Government Paper. This security apparently possessed no speculative features. Yet even in this case, a constant element of risk and hence of speculative possibilities, existed. The investor in this security was not assuming slight speculative risk. In the year 1913, it sold at about 96. In the year 1920, it sold at 48, thus showing a 50 per cent. shrinkage in price since 1913. This instance vividly illustrates the inseparable union existing between investment and speculation.

" Everywhere in the world inevitable business risks have arisen, some speculator has been forced to assume them, either of necessity or voluntarily and in the hope of a large possible profit. These risks can no more be abolished by legislative fiat than the tides can be halted or water be prevented from flowing downhill. "— J. E. Meeker.

" The charge is made against speculation that it is like gambling, because it is unproductive and consists in transfer of money from one pocket to another. The charge is, misleading if not false. Speculation does not directly produce wealth, but there is a real increase or decrease in the value of property due to outside causes, and this gain or loss in value is shared by the speculators. The return which comes to the legitimate speculator constitute a reward for risk. "—Prof. H. C. Emery.

The Hughes Commission of 1908 reported :

" Speculation may be wholly legitimate, pure gambling or something partaking of the qualities of both. "

But speculation is truly speaking never gambling, though the machinery, which is created to facilitate the operation of speculation may be used by gamblers.

Now speculation implies intelligent risk, whereas gambling is blind chance. Both these operations on the Stock Exchange are carried on by the same machinery. It is therefore quite impossible for the Stock Exchange to prevent gambling unless opportunities afforded for speculation are destroyed. Prevention of speculation in order to make gambling impossible will play more mischief than do any good. If outsiders abuse the facilities created for the operation of speculation and thus gamble on the exchange, there is no radical cure one knows of. So long as any method is devised to destroy the opportunities for gambling while preserving the opportunities for speculation, manipulations will continue in all Stock Exchanges. In the words of Mr. Otto Kahn, one of the greatest bankers and a leading authority on Stock Exchange, " The speculator has a useful and probably a necessary function, the gambler is a parasite and a nuisance. He is tolerated only because it seems impossible to abolish him without at the same time doing damage to elements the preservation of which is of greater public importance than his obliteration ....,...... Short sellers are born, not made. Yet if there were not people born who sell short, they would almost have to be invented. Short selling has a legitimate place in the scheme of things economic. The practice of short selling has been sanctioned by economists from the first Napoleon's Minister of Finance ". Those who criticise short selling as immoral and gambling evince their ignorance of the laws of economics and of the science of the stock exchange. While laws have at various times been enacted by Great Britain, Germany, United States of America and France to prohibit gambling, it is a noteworthy fact that in every instance these laws have been repealed after a short experience of their effects. While His Britannic Majesty's Government with the machinery of almost unlimited power at its hand failed in its attempt to regulate speculation in securities by law, which was therefore repealed in 1860, how can one expect the stock exchange authorities to suppress gambling and cornering ?

In the words of J. E. Meeker, " Because of the all too frequent losses which men suffer by overtrading and which they cannot afford, and also, because of the deteriorating effect of speculation on weak and shallow natures many honest and sincere, but short-sighted and hasty people rush to the conclusion that speculation and speculative markets should be abolished. Just as the King in the old play cried, " Off with his head. So much for Buckingham ". So, too, these people seize upon the seemingly simple expedient of curing headaches with the guillotine. But in spite of laws, in spite of threats, penalties, and restrictions, made in many lands by many people over the course of many centuries, speculation and speculative markets have stubbornly endured. The attempt at their abolition has invariably failed. As recently as 1896 the German Government attempted to do away with speculation in securities and commodities. Yet in spite of the characterestic Teutonic thoroughness, in spite of the despotic powers of the Prussian state, this attempt not only failed of adequate enforcement to such an extent that its regulations came to border on farce and absurdity, but it directly resulted in crippling the Berlin financial markets so thoroughly that when the law was repealed in 1909, their power had permanently passed to London and Paris. What this blunder meant to the economic staying power of Germany during the war, future economists will doubtless relate. "

" But still more recently an even more thoroughgoing attempt to abolish speculation has been made in Bolshevist Russia and has failed even more completely. The ingenuous but fanatical theorist, Lenin, at first ordered the traders and dealers lined against the wall and shot. Yet speculative trading went on, at extortionate prices and with unwholesome economic consequences. And instead of the glittering Utopia which this theorist and his confederates expected to establish, what actually followed ? Russian industry collapsed, unemployment spread. In the cities starvation and the plague wrought a havoc unparalleled since the Thirty Years' War, until city life itself became impossible there and the citizen either rotted in his decaying home, or went back to the country to grub in the soil for his existence. It is typical of all such attempts to abolish speculation that at the time of writing Lenin is apparently admitting that " trading must be resumed " and is confessing the complete futility of his witless and deadly experiment. "

Mr. A. H. Madan :—Mr. President, before you allow the work on to-day's agenda to be taken in hand you will grant me permission to speak on speculation in brief. To those of our critics who are opposed to speculation your arguments which are supported by authorities are an informing reply. It is not necessary for us brokers to make a study of the important point which speculation plays in economics. We obtain a firm grasp thereof by practice of our profession and experience gained after we commence business as brokers and hence we ignore the adverse ill-informed criticisms in the matter.

If speculation is essential in our business then it is not difficult to understand that forward business is doubly so because speculation can be done through forward business. The prices of the shares of the companies which are not on the forward list also rise and fall and it is erroneous to believe that if only cash business is allowed on the Stock Exchange, their investments will not depreciate and consequently no harm will be done to them as rise and fall in the prices of the shares depend on the managements and earning of the companies. As we understand Bulls and Bears owe their existence to speculation and they discount the true values of shares by their tussle and *bona fide* investors can by taking advantage of the opportunities presented to them sell at far higher and purchase at far lower rates than their own estimation. Besides budli (contango) business is essentially necessary for forward business. Forward business enables capitalists and investors to do budli business that is they can realise interest and consequently the volume of business is increased and with it our brokerage is also increased. We are right like other business men in endeavouring to increase the sources of our income by continuing forward business in this way on our Exchange because we are thereby doing something for our own advantage without doing any disadvantage to the public. Consequently as said by our President our members and non-members will take intelligent risk or blind chance as they desire and they themselves will reap the fruits of their doings and we do not see any reason to blame the share bazaar for the losses which they suffer.

We are questioned by several people as to why all the securities should not be placed on the forward list. But it is safe and wise to allow forward transactions in those securities only which are well established and which have a free and broad market and consequently a cornering whereof will be beset with difficulties. Besides it is not possible for us to place all the securities on the clearing list, and in all the exchanges of the world well-established and active securities only are placed on the clearing list. Similarly we desire to gradually place sound securities on the forward list and which work is on to-day's agenda.

In conclusion I beg to say that we should increase the means of forward business by adopting systems which would be injurious neither to ourselves nor the public.

Mr. Amratlal Ratanchand :—It is erroneous to mix up speculation with gambling. For the existence of any market speculation is absolutely necessary. Those who have lost by unwise speculation are loud in condemning speculation.

Mr. Cooverji Mehta :—Tata Deferred and Tram shares should be transferred to the cash list.

The following resolution was passed :—

That three more Companies, *viz.* The Mysore Spinning and Weaving Co., Ltd., The Madhowji Dharamsey Manufacturing Co., Ltd., and the Finlay Mills Ltd., should be added to the ballot paper of 17 companies suggested by the Board.

After a hearty vote of thanks to the chair the meeting dissolved.

A. H. MADAN,
For Honorary Secretary and Treasurer.

PROCEEDINGS OF THE EXTRAORDINARY GENERAL MEETING OF THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION.

Monday, 29th October 1923.

The said meeting was held in the Sir Dinshaw Petit Native Brokers' Exchange Hall at 2 p.m. on the 29th instant when Mr. K. R. P. Shroff presided. After the notice convening the meeting and the minutes of the last extraordinary general meeting were read and the latter duly signed the President addressed as follows :—

This meeting is convened to consider the letter dated the 6th October 1923 from the Secretary, Stock Exchange Enquiry Committee, just read to you. As you are aware numerous attacks have been made against our Exchange and our Committee in a section of the Press. You all know what truth is there in those complaints. On going through the history of stock exchanges in Europe, America, etc., we find that whenever a community loses heavily their money in investments of speculative concerns or in gambling they grow indignant and in their impotent passion and rage fiercely attack the Exchange without rhyme or reason. For instance, in 1920, prices of silk, wool and leather heavily declined in America. In fact, those articles became unsaleable at any price and at any amount of loss. It was difficult for banks to realise even the amounts advanced by them on the security of these articles after a very wide margin. Banks had consequently to stop all advances on such commodities. Finding themselves in grave financial difficulties, merchants began to sell their securities wholesale for cash on the Stock Exchange in order to meet their liabilities. What was the result ? A bearish sentiment as was expected, on the stock exchange, with prices falling ! The public were able to sell their shares and realise their prices. The threatened business crisis was thus averted owing to the action of Stock Exchange. Still criticism of every description was made by the public against that wholesome action. On this subject Mr. Meeker states :—

> " Yet countless critics, embittered perhaps by their losses in the declining market, did not hesitate to condemn the Stock Exchange at the very time when it was saving them from disaster."

The same writer further states :—

> " But unfortunately, during the year 1909, 1913 and 1914, many inaccurate criticisms of the Exchange were uttered and given widespread publicity. Fanciful remedies for fancied grievances also were not merely proposed, but urged with insistence. . . . . . . For every bear market results in financial losses and indignation on the part of speculators, who, being unable to understand the intangible laws of economics, vent their feelings upon the tangible Stock Exchange."

Gentlemen, we are also the victims of similar attacks. During the last war, when people accumulated surprisingly large wealth, several new companies were floated. The Agents and Directors of many of such companies were well-known men of commerce and industry. The public had implicit confidence in them and in the high order of their business ability. Consequently people blindly rushed in for the shares of such companies induced only by the names of such Directors and Agents and there was an actual scramble for shares. Those who did not succeed in getting them purchased them from the underwriters or syndicate at big premium in the hope of securing huge profits in future. The public became so very frenzied that they invested their savings in the shares of such speculative concerns, with what result you all know. When the middle and poor classes came to grief, when they were unable to pay call money, when the hard earned savings were thus frittered away in highly speculative investments they naturally but very unreasonably came to believe that all these calamities were due to the share bazaar and our bazaar is blamed for nothing ! In truth almost all promoters of the new companies were responsible for the disaster. In many instances, instead of offering shares of the new companies to the public, directors and their friends formed their own syndicate, and took up all the shares. These shares were subsequently sold by them to the public at unheard of premium. Advantage was thus taken of the weakness and ignorance of the investing public. No wonder, innocent but honest investors were heavy losers, if not actually ruined. Commercial morality was laid on the bottom shelf and in many instances a species of highway robbery by daylight was indulged in. This experience led us to stop transactions of shares of many such new companies on our Exchange. We framed and put into force rules and regulations for admitting shares of new companies to dealings on our Exchange. We were thus able to check the progress of ruination. When we were thus able to protect the interest of the innocent investors and when the manœuvres of the underwriting syndicates just described frustrated, they commenced making false attacks against our bazaar. Nemesis or unkind fate overtook these big men who had conspired together to decoy and despoil the poor. By indulging in reckless and unlimited speculation they themselves afterwards incurred colossal losses. Then their indignation knew no bounds and they began in their impotent rage to make assaults against the share bazaar for their own sins of commission. If those who have so severely criticised the Stock Exchange consult their consciences they would easily find out for themselves that there are no valid and substantial reasons for such absurd attacks. The Association up to now never took any steps to defend itself, because no specific charges were ever levelled against our Stock Exchange or its members either by any public authority or by the Government. We thought it wise to be silent, treating all such malignant and unfair attacks as deserving of no notice and feeling that they will die a natural death. I am confident that we shall receive fair play from the fair minded public. Have there ever been any fraudulent practices in the dealings of securities on the Exchange ? Have there been any fakers or swindlers on the Exchange ? Are the members of the Exchange dishonest ? Is there any instance in which even a single bank in Bombay has lost any money in its dealings as agents of the investing public with the members of the Exchange as share brokers? In there any instance of a member of the Stock Exchange having ever repudiated or evaded his contract with a bank or a customer ? On the other hand, there are numerous instances in which the public have repudiated their contracts with their brokers or outside brokers with their customers. During the period of depression following the Great War the wave of cancellations swept the commercial world. Bombay did not escape the evil consequences of such a wave. Some of the Exchange Banks and several mercantile firms lost heavily on the advances against import of piece-goods, etc., fom Europe on behalf of their customers. Our spinning and weaving mills had also to come to terms with the parties who had entered into contracts to purchase the goods from them. Throughout the world there was welshing on a trade and the evasion of a contract was sought and allowed. If authentic statistics instead of prejudices were to be consulted, it will be found that even during the worst slump, the Stock Exchange met its liabilities to the public to a pie without any failure of importance, whereas its individual members lost heavily owing to the default of their clients. The wave of cancellations never overtook our Association. No group of businessmen other than members of our Association can boast of such high commercial morality. Wherein then lies the cause for mistrust or alarm ?

We were eager to rectify real abuses if such were found to exist and pointed out by reliable persons or authorities. We have never up to now received any suggestion or any complaint whatsoever from any quarter. There was only a hue and cry in a section of the Press from unknown persons, regarding the closing of the exchange and the subject of corner. Not one practical a suggestion has ever been made in the papers as regards the need of any reform in our bazaar. Silly suggestions there have been no doubt. It is reasonable to say that one should learn the art of swimming in order to save oneself from drowning but it is ridiculous and impracticable to suggest that a man should learn to fly so that he might keep himself above the surface of the water. How can we adopt similar absurd suggestions made with regard to the share bazaar ? The fact is that these so-called guardians of the public not only did not succeed in their object but on the contrary lost heavily in speculation. Hence they engineered a scheme in order to pave their way in our bazaar so that in future they might play their own game. Can we tolerate such interested outsiders to rule over us ? We are the owners of the house, we run all risks ; are we to be controlled by outsiders ? Where is the " raison d'être " of such action ? I have much to speak on this subject both to you and the public, but at present I refrain because in that case interested people will criticise me by saying that I am trying to provoke unnecessary agitation and adopt a hostile attitude. I therefore hold my silence till the report of the Enquiry Committee is published. From the conversation I had with some well-known public men I was able to gather this, that they all are of belief that great injustice is done to our bazaar in order that the coterie of the self-interested may indulge in their favourite game. The public are not unaware of the secret interests behind the parda. We shall come to know of the real grievances of the public in a few days and also of the names of the complainants. Truth and justice are bound to triumph at last however delayed and attempted to be suppressed by a variety of manœuvres.

It is argued by some how we can be represented on the Enquiry Committee when we are the accused but our reply is that we are not to be tried by the Committee, we are not the accused, there are no charges against us as I have said. This is only an investigation. One of the terms of reference is to investigate the complaints of the public. But what are they we have never known. We are therefore only treating in our written representation the subject of corner and the number of days that the Exchange is closed, and the manipulation engineered by the outsiders in shares of old and new companies. To justify our action and procedure all through, which has been entirely and strictly in accordance with our constitution and regulations, we have prepared a statement in consultation with those of you who were present at the meetings convened as per notices of 11th and 13th October 1923.

This written representation will be sent to the Committee after we receive a satisfactory reply from the Government to our letter of the 26th September 1923, and after we know the procedure of the Committee on arrival of Sir Wilfrid Atlay. Your Board therefore require your confirmation in this matter.

MR. ARDESHIR HORMASJI MADAN :—

Gentlemen,

After hearing the remarks of our President, by way of further explanation on behalf of the Board I have to say that as you are aware we have given a comprehensive reply to the various complaints of the public against us communicated to us by His Excellency the Governor of Bombay. The principal complaints against us are that our holidays and settling days are numerous and that while passing resolutions in deciding matters relating to corners we do not give a fair play to the bears and the bulls whether they are members or non-members, but we look only to our own interest. Other complaints are of a minor nature.

With regard to the principal complaints our Board has prepared a confidential statement with the help of some of our members and we shall shortly submit the same to our solicitors for their approval. It is of the utmost importance that the statement should be treated as confidential, and as we have very little time in hand you have today to authorise the Board to forward our written representation to the Enquiry Committee at the proper time after consulting our Solicitors, and if after knowing the procedure of the Enquiry Committee they deem it necessary to do so.

The Board will give facilities for the perusal of this statement as confidential document to those members who are desirous of reading it after the same is completely ready.

I have therefore to request you on behalf of the Board that you should to-day pass a resolution authorising the Board to act in the way they propose to do.

The following resolution was moved by Mr. Dinshaw Bapuji Dadiburjor and supported by Mr. Vurjiwandas Tribhowandas and the same was unanimously passed :—

> " This meeting hereby resolves that the Board is authorised to send the written representation to the Committee of Enquiry on behalf of the Association, if and when they consider it necessary and advisable in the interest of the Association, after placing it before our members."

After taking votes by ballot for selection of eleven additional Companies to be placed on the forward list, the meeting dissolved, after a vote of thanks to the Chair.

RAJENDRA SOMNARAYEN,

Honorary Secretary and Treasurer.

APPENDIX No. 6.

SUPPLEMENTARY REPRESENTATION OF NATIVE SHARE AND STOCK BROKERS' ASSOCIATION.

SUPPLEMENTARY REPRESENTATION FROM THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION TO SIR WILFRID ATLAY'S STOCK EXCHANGE ENQUIRY COMMITTEE.

A short history of the Association is attached herewith. For the aim and objects of the Association, please refer to article 15 of the Deed of Association and for building to the history of the Association.

Constitution is as mentioned in the Deed of Association.

Qualifications of members.—Any person who is a native of India or who is a British subject and has resided in the Bombay Presidency for at least ten years prior to his application for membership or who is a British subject and whose father has resided in Bombay Presidency for at least ten years prior to his application for membership may be admitted as a member of the Exchange. No person who has not attained his majority according to the law to which he is subject shall be eligible for membership. No person shall be eligible for membership if he be a member of any other Association in Bombay where kindred dealings in stocks or shares are carried on.

Foreigner is not admitted as a member to London Stock Exchange [*vide* Rule No. 21(3)] until he has resided within the British Dominions for ten years and naturalized himself within such Dominions for a period of five years next preceding the date of his application.

Admission of Members.—Every person seeking admission to membership has to sign a prescribed form of application in which he agrees to be bound by the rules and regulations, for the time being in force and has to make a declaration that he has read them.

In order to qualify himself as a member, an applicant has to buy a seat or "card" as it is called from the creditors of a defaulting member or from the recognised heirs of a deceased member.

He must be recommended by two members who should satisfy the Committee for his financial position and reputation.

If he is bankrupt, he cannot be admitted.

A notice of each application is posted in the Association at least 15 days before an applicant is admitted.

Any member objecting to the election of any applicant must communicate to the Committee the grounds of his objection.

A list of brokers is published and is forwarded free of charge by the Secretary to any one who asks for it.

Necessity and nature of security.—The Association has a rule to the effect that members, who may be creditors of a defaulting member with respect to dealings on the Exchange, have a claim to the proceeds from the sale of a seat. The market value of the card is at present deemed a sufficient security. The rule giving members of the Association lien on proceeds of defaulting members' cards in preference to other creditors is not illegal (*vide* Appendix 1).

Suspension and expulsion of members.—The Association possess the right to suspend or expel members for violation of rules and for fraudulent or dishonourable acts. Such powers are absolutely necessary for the maintenance of a high standard of business conduct for the mutual protection of the members of the Association and the public.

Licensing of brokers.—Licensing of brokers by the Government is not at all desirable. There was a similar proposal in the New York Exchange.

The state of affairs in New York was far worse than here. There, the ignorant and credulous public and *bona fide* investors were deceived and cheated by bucket shops and several such brokers were put on their trial on the charge of deception, convicted and sentenced to undergo imprisonment. Notwithstanding this, New York Stock Exchange successfully opposed this proposal. My Association fully concur with the arguments advanced against licensing of brokers by Mr. Cromwell the able President of New York Stock Exchange in his last speech (*vide* Appendix 2).

District Attorney J. H. Barton said once :—"It is not enough for me to have brought to trial eighteen brokers for bucketing orders and to have convicted eighteen. We ought to do something to keep them from being able to commit that kind of crime......... Imagine my amazement, when the President of the New York Stock Exchange and its highly paid counsel, who probably got more for that trip than I do a year, were in Albany opposing the Bill, and the legislature heard the master's voice and the bill died."

The Chronicle (New York 17th June 1922) says :—"As for the proposal to require (as in a bill which failed to pass in the late legislative session) all brokers and dealers to obtain a license from the State, an obvious objection is that sufficient knowledge and discrimination in advance would be impossible, and thus wolves might put on sheep's clothing in the form of a State certificate."

Partnership.—A member is not permitted to take into partnership a non-member. No member can carry on business on the market otherwise than in his own name. But any two or more members of the Association can carry on business in partnership as a firm. All members of a firm are liable jointly and severally in respect of all dealings of the firm in connection with the share market.

Power and authority of President.—Neither the President nor the Committee have any autocratic or arbitrary powers. The only power which the President or in his absence the Secretary enjoys is an *emergency* measure to stop dealings for the time being and thereafter to convene at once a meeting of the Committee to consider the matter. This is an absolutely necessary power in cases of emergency and the power has been exercised only twice to save the public from utter ruin and disaster. The events of the last year in case of David and Currim Mills corner, wholly justify the complete wisdom of this power.

"If, as has been so frequently asserted, the war was eventually won by the individual initiative of the American soldier, sailor and business executive, it is equally certain that our then debtor nation owed its avoidance of a panic to the ability of the governors of the Stock Exchange to meet on their own responsibility an unparalleled crisis with an expert knowledge of its possible consequences and of the *exact minute* at which to terminate dealings on the floor." Brigham in the Boston Evening Transcript. October 20, 1920.

Mr. J. E. Meeker, Economist to New York Stock Exchange, writes:—

Instant Action Necessary.

"The Stock Exchange has consistently opposed forcible incorporation not because of any hostility to proper governmental regulation but for entirely different reasons, which inevitably arise from the nature of the business conducted beneath its roof. To begin with, there is the very important necessity for swift and expert decisions. The Stock Exchange more than any business organization on earth demands instant action. The Government of the stock market cannot be halted, not merely for six months but for even a second, without grave dangers. It is the balance wheel of irresistible tides of emotional public feeling. Cripple its power to steer and brake itself, and it might well become a public menace instead of a public benefit.

As it is, instant action can be taken in the conduct of its affairs by experts in a highly technical and complex business, who are responsible and can be subjected to the processes of the law later on, if need be. The present safe and efficient methods are in striking contrast to what might happen were the Exchange incorporated, and subject in a crisis to an injunction by an irresponsible party or a national enemy. It is generally appreciated that in the unprecedented summer of 1914, the governors of the Stock Exchange literally averted what would have been the most appalling panic in our history, by closing the Stock Exchange at the phychological and economic moment. The delay of a day—yes, of even an hour—in closing might have spelled ruin and disaster to America. It might have proved no little advantage to Imperial Germany for example, had the Stock Exchange on July 31, 1914, been incorporated, and at the mercy of her swarm of spies and propagandists then in our midst, unknown and unsuspected, who by court proceeding could have brought an injunction to prevent the prompt closing of the Exchange.

Neither are such occasions when instant and expert action is needed only to be found at the outbreak of wars. In the everyday conduct of the Exchange there must always exist authority, complete and unhampered, to act without a second's delay. There was no war in the fall of 1920, nor epoch-making international crisis. Yet at noon on September 16, 1920, a tremendous explosion occurred only a few score yards from the Stock Exchange building, which shattered the windows throughout the heart of the financial district and killed some forty men, women, and children. Only the lowered curtains in the lofty Stock Exchange windows prevented possible casualties upon its floor. At once the news of the explosion was flashed over the tickers to all parts of the country. In the light of the subsequent severe but gradual decline in security prices, it is not unreasonable to imagine that, had this bomb accomplished its purpose and had the Exchange attempted to remain open that day, an avalanche of selling orders might have swept into it from all parts of the nation, and a narrowly averted panic might well have occurred then and there.

Fortunately, the president of the Exchange almost instantly rang the gong and suspended trading, and shortly afterward the governors voted to close the Exchange until the morrow. Had the authorities of the Exchange, who handled that dangerous and wholly unexpected crisis so efficiently that to-day it has been almost forgotten, been restrained by the restrictions to which, by the terms of their franchises, many incorporated bodies are subject, there might have been a very different story to tell. The Stock Exchange members heartily share with the public a distaste for panics. It is small wonder that they do not agree with the recurrent proposal to incorporate the Exchange."

Commissions.

Brokerage or commission is charged upon purchases and sales of securities according to the scale fixed by the Managing Committee. As it is not possible to alter the official scale calculated on the basis of market price of shares at the time of fixing, with every rise and fall in the price of shares, brokers are allowed to charge a reasonable brokerage more or less than the fixed scale in cases where the prices have risen or fallen as the case may be. Honourable Mr. Justice Walter S. Schwabe says, " The commission chargeable by a broker may be agreed between him and his client but in the absence of an agreement, must be of a reasonable amount, what is reasonable depends on the rate generally charged on similar securities."

To obviate such difficulties it is proposed in the new rules to fix a sliding scale of brokerage varying with the market price of the shares. (*Vide* page 21 of Proposal Rules and Regulation Part 2.) It is deemed advisable to fix such a definite *minimum* rate of commission that members may charge as brokers for execution of orders in the various classes of securities, as a check on the practice of cutting brokerage in order to compete for business.

Rules.

There is no objection to the printed rules being made available to the public on payment.

Blank transfers.—The Association does not encourage the practice of blank transfers. By one of its rules, the liability of the selling member ceases after a period of 15 days from the date of delivery and the Committee of Arbitration does not entertain any complaint in respect of the irregularity or non-genuineness of any document after that period. If the public, whether they be dealers or investors, and the speculators or gamblers, keep the shares blank, the Association cannot do anything in the matter. This is a question which is to be decided by the Government and the public. The financial interests consulted by Government seem to be so much against the proposal of abolishing blank transfers that the Government are disinclined to take any steps. The Association are willing to enforce a system of transfer of shares from a seller to a buyer provided the Government make it obligatory by legislation. Such legislation will no doubt greatly check the speculation which blank transfers stimulate. And the Association would suggest that were the stamp duty on transfers reduced to ½ per cent., it would greatly simplify matters. In 1910 when a heavy increase in the stamp duty was proposed, our Committee strongly opposed the proposal and authorised the then President to send a wire to the Finance Minister on 1st March 1910, a copy whereof is given in Appendix 3.

Why this should be the effect of such taxes has been excellently set forth by no less a personage than the British Premier, Mr. Lloyd George, who, when he had occasion not so very long ago to discuss, as Chancellor of the Exchequer, the expediency of laying a considerable impost upon Stock Exchange transactions in Great Britain, explained his opposition to the proposal upon the following grounds :

'Such transactions, being mainly of a speculative character and worked upon a narrow margin, will clearly not bear a rate of duty in any way comparable with that charged upon actual conveyances. Such an impost would, in the first place, from the point of view of the revenue, defeat its object by rendering the greater portion of such transactions impossible ; while in the second place, it would, in my opinion, be opposed to the public interest as calculated to curtail that free circulation of securities which is a necessary condition of steady prices and an open market.' "—*The Economic World,* May 15th, 1920.

Fortnightly Settlements.

Fortnightly account is quite impracticable here and will certainly involve a good deal more unnecessary clerical labour and waste effort in handling securities and in payments.

Clearing House charges will be increased in the same proportion without gaining any advantage in the return. Owing to four days of the 15 days being occupied by settlement business, the activity of market will consequently be greatly restricted.

The business days will be greatly reduced thereby. The public will have to pay double the brokerage to get a credit for one month. The extension of credit either to 15 days or 30 days is a matter of contract between a broker and his client. 15 days settlements will neither check speculation nor gambling.

Besides the lack of co-operation on the part of agents of some of the mills and joint stock companies will greatly interfere with the work of Clearing House. Monthly settlement is more agreeable and convenient to the condition of the Bombay market from the point of view of the public and the Association. Even in London there are some who prefer longer period of settlements as appears from Appendix 4.

Jobbers and Brokers.

The system of dividing the members of the Stock Exchange into two classes—jobbers and brokers—is peculiar to the London Stock Exchange, the advantages of which are often called in question. It does not exist in New York or Paris or in any other financial centre in the world.

The Royal Commission of 1877 unanimously approved of the system so far as current securities were concerned though they considered that in dealings in non-current securities the place of the jobbers might with advantage be supplied by a register in which intending sellers and purchasers could enter particulars of their requirements. Thus it is apparent that this system is approved for the facilities for business it provides rather than the protection it affords to the public. In order to keep the market open and free, some machinery is essential and the machinery that is adopted in England is the system of jobbers. To hazard an opinion on the advisability of having the same system here is a technical problem. London Stock Exchange justifies, in our opinion, the existence of the jobber on the ground that he makes business quick and easy and provides a free market. Now to be a jobber, it requires ample resources, particularly strong financial position. If a jobber buys and sells securities not with a view to make a turn but to speculate on his own account he will do more harm than good to the members as well as to the public. The existence of a jobber can only be advantageous if he is always ready to deal, that is, "to take stock on to his book" when the investors are selling more freely than they are buying and *vice versa*. But if jobbers in order to keep their books even, are shy of making prices in times of uncertainty or excitement, in times of boom and depression, they do not serve the purpose for which they are created. Such events do occur at London Stock Exchange (Appendix 5). "And when there is a slump in the market and a rush of selling orders with no support" as Mr. Hirst candidly admits, "as happened in rubber shares in the months of June and July 1910; the jobbers are apt to be away at lunch all day, and the brokers have to report to their clients that they simply cannot find a purchaser."

Besides, if a jobber himself is long or short of securities which make him nervous and eager to sell or buy with the public, he simply disorganises the market. He can serve his useful purpose only when he is ready to take the stock if the public rushes to sell and to be short of stock if it rushes to buy. If a jobber "is apt to be away at lunch all day" when trouble comes and risks are involved, he cannot fulfil his functions and render the service for which he exists. It is entirely impracticable to create this kind of jobbers here.

The rule No. 86 of the London Stock Exchange, *viz.*, "No member or authorized clerk shall carry on business in the double capacity of broker and dealer", and rule No. 87 "A broker shall not make prices or otherwise carry on the business of a dealer" are not in our opinion to safeguard the public against dishonest brokers but they are in the interest of jobbers to give them a turn. "It is to the interest of the House and of the public that the jobber should be fattened rather than starved." In absence of such rules, jobbers cannot find sufficient business and may be starved.

Therefore the remedy to protect the public against dishonest brokers does not lie in having two kinds of members—jobbers and brokers—but lies in the rule prohibiting members to trade on customer's order and to buy and sell securities of their clients for themselves and for their own account without disclosing the facts on the contract notes.

The Closing of the Exchange for settlement.

The Association remains closed only for business three days every month for settlement after the making-up prices are fixed by the Committee. This is done not with a view to facilitate the work of clearing or for the convenience of members' clerks but it is absolutely necessary to do so with a view to safeguard the interest of all the members and their clients—the public. If the public, that is, those who operate on the Stock Exchange, are themselves prepared to suffer the consequences that may arise by keeping the market open, the Association has not the slightest objection to throw the market open during the settlement. It is believed by many ignorant people not conversant with the affairs of the Bombay Stock Exchange, that the closing of the market during the settlement is to facilitate the work of clearing and for the convenience of the clerks whose number is not sufficient in a broker's office. This is a false notion and opposed to the actual fact. There is absolutely no clerical work the day after the pay day. The clerks enjoy it as a holiday. It is therefore evident that object of the Association for keeping the market closed is for the safety of all involved in the clearing—members and the public and not for the convenience of the Association as is alleged. The Association neither gains, nor gets any advantage by keeping the market closed.

The Association however will make every effort to reduce the closing days for settlement. Though the Association has fixed three days for delivery of shares to the Clearing House, the bulk of shares are generally delivered only on the last day by the public and banks on behalf of their clients. Besides there are other difficulties in our ways. To facilitate the work of the Stock Exchange and the operators thereon, the machinery of Government like Posts and Telegraphs and that of telephone by the Telephone Co., ought to give regular and efficient service to the public whereas the grievances of the public are that the Telephone Co. gives worst possible service and they are not at all satisfied with it and as regards the services of Posts and Telegraphs, it is the duty of the Government to greatly improve them. It is not only the Stock Exchange but commerce and industry also suffer. The Stock Exchange has its own shortcomings like all other institutions and is prepared for such practical improvements as may be suggested. But the Committee, the Association trusts, will recommend to the Government to improve the above.

It will be thus seen that each organisation purporting to do public service has its own defects; and if each were to do its respective duty to the satisfaction of the public there will be hardly any complaints or grievances.

Corners.—This subject is fully dealt with in the representation. The Association beg leave to draw the attention of the Committee to the following paragraph which appeared in *The Economic World*, April 10, 1920:—

> "In addition to Studebaker the improvement in numerous other fancy stocks this week was influenced by short covering. Much of this was due to the corner that developed in the Stock of the Stutz Motor Company last week. This uncovered a situation so scandalous that the Stock Exchange was forced to suspend the issue from the trading privileges of the Exchange and prohibit its members from dealing in it. The decent sentiment of the financial district, of course, heartily approves the action of the Exchange in this, and particularly so, as since the dealings in the Stock Exchange were suspended, Stutz Motors has sold in the acution room at $701 a share, and warnings have been issued against the short selling of numerous other issues fathered by the same promoting group, under the belief that efforts to create corners had been made with these issues also.
>
> "In all likelihood the Stutz Motors matter will have to be settled in the courts. It cannot be adjusted through the Stock Exchange, for that in effect would be tantamount to the recognition of an immoral transaction which if condoned, would enable wealthy and resourceful stock gamblers to practice the tricks and wiles of cogging dicers, and deprive the public of proper safeguards and the assurance of a free market. In the meanwhile those who forced the corner appear to be in the position of the man who had a wild cat by the tail. It was difficult to hold on but he could not let go for the animal would turn and rend him. The position of those who forced the corner can not be agreeable, for they cannot sell the stock at any price, and it will prove burdensome in time to carry it in loans, even if bank examiners do not throw it out as unmarketable collateral."

Hours of Business.

Hours of business are 12 noon to 3 p.m. on all working days; and on Saturdays and four days of settlement 12 to 2 p.m. or such other hours as may from time to time be fixed by the Committee. On the last two days of contango every month, hours of business are 12 to 4 p.m. and 12 to 5 p.m. respectively.

During the boom, the hours of work were 12 to 4 p.m. but as there is not so much business at present it is deemed that three hours are more than sufficient to execute all the orders of the public.

Even up to the time the Clearing House was established two years before, the Association was working during the settlement up to 12 in the night for three or four days consecutively.

The Breaking of the Link.

At an extraordinary general meeting of the Association held on 14th July 1922 a suggestion was made with regard to the break of the link every three months, but the same was lost for want of support.

The breaking of the link will in no way minimise the chances of corners nor reduce speculation, or gambling but will on the contrary create a condition even worse than the existing one. The imposition of an obligation to take delivery within three months will neither frighten the speculators nor prevent them from cornering. The party holding corner eventually takes delivery of all the shares by paying cash. The object of breaking the link is to prevent budla (contango) which can easily be effected outside the Exchange and therefore in times of prosperity the rates will rise out of proportion, and the fluctuations will be rather increased than decreased.

The Official List and Marking of Bargains.

The Association is prepared to publish daily under its authority and sell to the public a price list of securities provided they subscribe it freely.

Marking of all bargains cannot be made compulsory. It is mechanically impossible because of the number of transactions. In London Stock Exchange also, there is no obligation on any member to mark a bargain. Mr. Charles Duguid, City Editor of *The Daily Mail* writes in his book on the Stock Exchange, "It is very seldom, however, comparatively speaking, that the price is thus recorded. Indeed, it is said that many members only record it when they feel they have made a bad bargain, and want to convince the outside client that the Stock has actually been dealt in at that price. Probably, however, the omission to mark business done merely arises from a desire to save time and trouble."

The Clearing House.

All contracts entered into between members on the Exchange calling for the delivery of securities on forward list are cleared through the Clearing House. Only active and well established securities are admitted to the dealings for monthly settlements. The unit of trading is generally as low as one share. The Clearing House is managed by the Bank of India, Ltd., and is under the control of the Committee of the Association. It not only eliminates a host of intermediaries and brings the original seller and the ultimate buyer together but also clears the securities and payments thereof and also differences. The Banking Institutions are allowed to clear securities on behalf of their clients direct through the Clearing House. The clearing is carried on the *pro rata* principal as in Paris and New York :—

> " A *pro rata* clearing differs from the trace or continuity system of settlement followed in London in that in case of insolvency of a member losses on contracts with the insolvent established by selling out or buying in on announcement of the failure are assessed back *pro rata* on the parties having original contracts with the insolvent on his clearing sheet. " (*Vide* Appendix 6.)

Defaulters.

When a member of the Association becomes unable to fulfil his *Stock Exchange* engagements, he is declared a defaulter by direction of any two members of the Committee for Defaulters on application for such declaration handed to the Secretary by any of the creditors on the Exchange pursuant to the Rules of the Exchange in that behalf and for the time being in force. The member so declared thereby ceases to be a member of the Association any longer.

A defaulter obtains no discharge from his debts and remains liable to actions by all his creditors.

As soon as a member is declared a defaulter, the Committee for Defaulters steps in and takes charge of all his books of accounts and papers to ascertain the state of the affairs of the defaulter.

The Committee is also entitled to recover all moneys due to the defaulter by any other members of the Association and they pay the assets collected into such Bank and in such names as the Managing Committee from time to time direct, and the same is distributed as soon as practicable *pro rata* among stock exchange creditors of the defaulter whose claims are admitted.

All members, having contracts subject to the rules of the Association with the defaulter close them by purchase or sale as the case may be and claim from, or pay to, the Committee the differences arising from transactions. The fund thus formed is a purely artificial one, and where the member is at the same time adjudged a bankrupt, the creditors (non-members) have no claim or right whatsoever against the fund in the hands of the Committee (*vide* Appendix 7).

Investigation as to the cause of failure by the Committee has invariably proved that nine cases of failure out of every ten are brought about through no fault of the defaulters but through the failure of their clients. The liabilities of defaulters outside the Exchange are usually insignificant compared with those within it.

If authentic statistics instead of prejudices were to be consulted, it will be found that even during the worst slump, the Stock Exchange met its liabilities to the public to a pie without any failure of importance, whereas its individual members lost heavily owing to the default of their clients.

Contract Notes.

Members of the London Stock Exchange are allowed by its Rule 193 (*3*) to render contracts at net prices. The object of setting out price and brokerage separately in a contract note is no protection any way to the public against dishonesty. It is so set out in order that members may not charge less than the minimum brokerage fixed in the scale regulating brokerage charges. The Association will be prepared to consider and accept any practical suggestion that the Committee may make.

The Association will strongly resist any suggestion or any attempt that may be made having for its object hampering with and restricting business, and destroying the legitimate opportunities offered to real brokers which do not in the slightest degree hinder outside brokers who are not members of the Association and others of an unscrupulous character. In other words all persons whose dealings cannot be regulated by the rules and regulations of the Association. They are all, of course, beyond the control of the Association and its Committee. They are a class of irresponsible dealers in shares. They deal directly with their clients but not on their behalf. When losses are incurred they very often refuse to pay. Cases have occurred in which even worse dishonesty has been committed. They simply make off with any money which people may have entrusted them with. In the case of an authorised and therefore a responsible member of the Association, such an unsatisfactory state of affairs is impossible. Moreover no outside broker can be expected to deal economically as a member of the Association and it is a matter of regret that for the irregularities of such outside untrustworthy brokers the Association should be unjustly reproached.

Tribunal of Appeal or Incorporation.

The Association strongly objects against any sort of interference or control from outside on the grounds mentioned in our Representation and in the letters to His Excellency the Governor.

K. R. P. SHROFF,
President.

5th December 1923.

APPENDIX 1.

Lien on Seats.

Mr. John R. Dos Passos writes in his book at page 113 as follows :—

> " In the case of Hyde *vs* Woods it was held that a provision in the constitution of a Stock and Exchange Board (a voluntary unincorporated society, whose members are elected by ballot and are limited in number)—that a member, upon failing to perform his contracts or becoming insolvent, may assign his seat to be sold, and that the proceeds shall, to the exclusion of his outside creditors, be first applied to the benefit of members to whom he is indebted—is neither contrary to public policy nor in violation of the Bankrupt Act. The reasoning of the court was that the San Francisco Stock and Exchange Board was a voluntary association, and the members had a right to associate themselves upon such terms as they saw fit to prescribe, so long as there was nothing immoral, or contrary to public policy, or incontravention of the law of the land in the terms and conditions adopted. No man was under any obligation to become a member unless he saw fit to do so ; and when he did, and subscribed to the constitution and by-laws, thereby accepting and assenting to the conditions prescribed, he acquired just such rights, with such limitations, and no others, as the articles of the association provided for. The decision was affirmed by the Supreme Court of the United States, where the court, through Mr. Justice Miller, said : " There is no reason why the Stock Board should not make membership subject to the rule in question, unless it be that it is a violation of some statute or of some principle of public policy. It does not violate the provision of the Bankrupt Law against preference of creditors, for such a preference is only void when made within four months previous to the commencement of the bankrupt proceedings. Neither the Bankrupt Law nor any principle of morals is violated by this provision, so far as we can see. A seat in this Board is not a matter of absolute purchase. Though we have said it is property it is encumbered with conditions when purchased, without which it could not be obtained. It never was free from the conditions of Article XV, neither when Fenn bought nor at any time before or since. That rule entered into and became an incident of the property when it was created, and remains a part of it, into whose hands soever it may come. As the creators of this right—this property—took nothing from any man's creditors when they created it, no wrong was done to any creditor by the imposition of this condition. "

In New York it has also been decided that a person becoming a member, assents to the appropriation of the proceeds of his seat, to the payment of debts on the Exchange.

APPENDIX 2.

Speech of Seymour L. Cromwell, President of the New York Stock Exchange at the Convention of American Bankers' Association held at Atlantic City, 24, 25, 26 and 27th September 1923.

The problems and policies of the New York Stock Exchange.

I propose to discuss with you to-day the business of the Stock Exchange in relation to the public interest of the American nation. Some time, I hope, I shall be able to appear before a gathering of this kind and not talk shop. There are many questions connected only in general with the Stock Exchange which I would like to discuss, but for the present I must stick to the narrower subject matter, which, as officials of the Stock Exchange we cannot, even if we would, put aside. The operation of our institution has provoked and still provokes so much public comment and is the occasion of so much misunderstanding that we must call public attention to it whenever and wherever we can. My object in discussing the Exchange and its problems with you to-day is to remove some of this misunderstanding and to seek your co-operation in explaining to the people of the United States what the Exchange is and under what conditions it can best serve the interests of its clientele, which is the whole American business community.

I have a further purpose in directing your attention to the operation of the Stock Exchange. This institution is not only discussed and misunderstood, it is bitterly criticized and attacked. For the most part we have submitted to these criticisms and attacks and merely done what we could to repel them. We have acted scrupulously on the defensive. But instead of moderating, they have become from year to year more threatening until they are now made the excuse for legislation which, if it were enacted, would seriously and perhaps fatally cripple the Exchange in the performance of its major functions. We shall not act on the defensive any longer. I intend later in this address to announce a new attitude and a new policy on the part of the New York Stock Exchange. It will no longer submit to unwarranted attacks from doubtful sources without turning on its enemies and exposing them. It has nothing to hide. It has everything to gain from publicity. Its opponents have everything to lose. Hereafter it will employ this weapon to the very limit. It will give nation-wide publicity to the nature of the attacks which are being made upon it, to the character of the attackers and their frequently disreputable motives, and to the doubtful purposes which they are hoping to achieve. And as you will see later the weapon is likely to be effective. Whenever we are forced to use it, those who are trying to injure the Exchange will find it difficult to protect themselves. Their own actions have rendered them vulnerable.

What is the New York Stock Exchange ? Briefly stated it is incomparably the greatest market for securities in the United States and with the possible exception of the London Stock market, the greatest market in the World. There is no question that the highest standard of business conduct prevails on the Exchange nor that the methods there prevailing serve the interests of the public better than any system that can be devised. The Exchange has grown up under a system of free Government. It has no charter from the State it has no special privileges, it exists by virtue of the contract between its members incorporated in its constitution. The success of its management is due to its autonomy. Men of character and experience are willing to devote their ability and time to its service. The principle on which free government is founded is that all who are conducting their business in the best interests of the public should be left to conduct their business without interference by the State. The Stock Exchange claims that it has done better under its own government than could possibly be expected under any sort of State control or supervision, and in the light of its success it asks that it be left free from bureaucratic interference.

When I speak of the Exchange as the people's market I do not say something that has a doubtful meaning. I took the list of stocks listed on the Exchange the other day and out of curiosity began to figure how many kinds of goods—if I may use the expression—there were on our shelves. In a short time I had figured up one hundred and fourteen, ranging from aeroplanes, air brakes, asphalt, automobiles, bread and cake, cement, cereals, collars, shirts, leather, sugar, silks, salt, ribbons, tinfoil, typewriters, varnish, underwear, down to cardboard patterns, yeast, writing paper and fire engines. Just imagine a great department store with one hundred and fourteen separate shops and the goods represented in those shops available on short notice to any person situated in any part of the World. It is the listing of the stocks of the companies owning these goods on the New York Stock Exchange, which permits the development of industry and the distribution of the goods themselves. I am not going to discuss to-day the economic functions of the Exchange, but when criticism is made of the amount of Stock Exchange loans, I want to call attention to the tremendous increase in the number of commodities listed on the Exchange as a consequence of the large number of partnership firms that have during recent years been incorporated. This will account for an important total amount of new securities that have come on the market, and as a result I believe it may safely be said that to a large extent the commercial loans of yesterday are the Stock Exchange loans of to-day. It is therefore only just that we should not measure present-day Stock Exchange loans by former standards.

There were listed on the New York Exchange on June 30, 1923, the securities of 630 companies representing 892 issues of stocks and having an approximate value of $24,000,000,000. There were also listed 1669 issues of bonds of 688 companies, Governments, etc., representing more than $18,528,000,000. This latter amount does not include $20,000,000,000. Liberty Loan Bonds. These vast figures give you some idea of the New York Stock Exchange, Much of the antagonism in the Exchange is begotten in economic ignorance. The Stock Exchange operates in terms of capital instead of in terms of commodities and that is why I wanted to point out to you what a large number of commodities are represented in the capital in which the Stock Exchange operates. All progress is conditioned on public understanding and until we have such understanding of the purposes and functions of the New York Stock Exchange it cannot fulfil its natural purpose, which is to supply one of the great elements in the prosperity of the country.

The Stock Exchange is an ally of law enforcement. It is seldom, however, in recent years that the Stock Exchange has been called upon or even permitted to co-operate with law enforcement officers. In the thirty-year-old fight which the Stock Exchange waged against the bucket shops its chief obstacles have been the inertness and lack of co-operation of many public officials. The Stock Exchange destroyed through its own efforts the old "clean Sheet" bucket shops and it is bending all its energy toward ending the operations of the new type of swindle. This new bucket shop is a more sinister affair than the old, not only because it steals the people's money as it was stolen in the old days, but because, in most cases, it has an underground backing of tremendous influence and weight, because it is supported by men whose position in the community has the appearance of being free from any taint or connection with such vicious operations. Legislation which has been proposed in recent years has been aimed not at the bucket shop or stock swindlers, but for the most part at the New York Stock Exchange. That practically every legislative proposal of recent years has been applauded by crooks and swindlers; that the endorsers of this legislation aimed against the security of the Exchange have been men known to be engaged in bucketing business, amply justifies the suspicions with which this legislation must be regarded. The New York Stock Exchange has opposed certain proposals for legislative regulation of stock trading because such regulation would have destroyed the autonomy of the Exchange, opened its doors to the dishonest, paralyzed its discipline and unloaded a horde of politicians and potential criminals upon it. I do not say that the men who drew up the legislation realised the effect of the laws they would have enacted, but I do state that the position of the Exchange has been sustained and verified to the letter by the damning revelations of the past few months.

Among the proposals of those who would regulate the New York Stock Exchange through political bureaus, were, licensing of brokers, examination of books, restrictions of the use of securities by firms in the matter of loans, and regulation of the issue and sale of securities. With the last the Exchange has nothing to do except in a general way to oppose laws which might interfere with the markets for legitimate securities offered in the State of New York.

Let me say in the very beginning that licensing and examination of brokers' books would open up to swindlers and that pecular breed of politician who herds with swindlers, the richest graft in the history of the nation. Licensing has been advocated by men of the highest honesty and with the keenest desire to do everything that will protect the financial markets, but these men have not figured out the effect which will follow from the use of a system which cannot possibly be effective and which can be and will be destructive. The whole subject of licensing brokers was considered by a Commission appointed by Governor Smith in 1919. This Commission was most carefully selected and was composed of men conversant with the subject. In the report of the Smith Commission there appears the following concerning Licensing:

> The objection to a law of this character is that every citizen should be free to enter into any legitimate business that he sees fit; and that to require a licensing system and to confer power upon some State official to grant or withhold a license, is an abrogation of individual rights and liberties, is un-American in principle, and has been frequently denounced by the Courts.

This is the conservative opinion of a Committee of men who impartially and at length studied the question. Licensing will not eliminate the fraudulent or unscrupulous dealer in securities, but, on the other hand, it will aid the swindler. He can swindle the public much more readily if he is operating in virtue of a State license, which to the undiscriminating public would be a State guarantee of both his own legality and the merits of the securities offered. You cannot prevent crooks or prospective crooks from obtaining a license. A political body issuing licenses will naturally take political references first and general references second. When the Stock Exchange cut off its quotations from Messrs. Hughes and Dier, a bucket shop, men of the highest political, financial and social standing wrote letters to the Exchange urging that the wires be restored; there were personal interviews, telephones and every kind of pressure and solicitation from men whose name and record meant much in the community. The Exchange denied these demands; would a political license bureau have done as much? If you have been following the New York papers during the past few months you may have noted the queer mix-up between politicians and the bucket shops. Would you give to these gentlemen—the angels behind the bucket-shops—the power to grant licenses to brokers? Would you permit them to force the New York Stock Exchange to admit to its membership men known to be crooks?

Let me read you a statement by a man prominent in the political life of New York State, a man of national repute, clean in politics and business, active in public life and familiar with all the forms of politics. He was asked whether he would approve of a law licensing brokers. This what he had to say:

> I shall fight a law licensing brokers as long as I am in public life and even when I am out of it. It would mean a deluge of licensed crooks. It would mean that every public man in the State of New York would be under continuous pressure to approve some one whom he did not know and who was actually a crook. Suppose I have a friend Mr. X, who is a Banker, and he has a friend Mr. Y who is a business man who deposits with him, and Mr. Y has a man who buys goods from him, whom we shall call Mr. Z. Through some combination of circumstances Mr. D, a crook, knows Mr. Z and gets him to ask Mr. Y to ask Mr. X to ask me for an endorsement. I am under social, political and may be financial obligations to Mr. X. Shall I endorse Mr. D and get him a license and be responsible for having put a crook in a position to steal? That is not a far-fetched illustration. It would be a common one. Licensing would mean a restriction of the usefulness of honest brokers and the overwhelming of the security business by crooks wearing the badge of decency which a State License would impress upon them. Licensing would mean the licensing of the unfit and the chances are that any such license bureau would fall into the hands of shady politicians. That is why I oppose and will always oppose this great potential graft game of licensing brokers. It is not merely foolish, it is futile and dangerous.

A New York Newspaper which has been carrying on an intensive campaign against our most prominent bucketeers and which supported a licensing bill last year gravely makes this suggestion:

> Some people are discussing with interest the possibilities of graft in a licensing and examination system run by politicians . . . . Such examiners and licensers would possess a "nuisance value" which, skillfully exercised, could realize handsomely in cash.

The members of the New York Stock Exchange object to a licensing system for the reasons already stated and because a great part of the undiscriminating public would put all holders of a State license on a parity: men of questionable probity would be placed on a level with men of accepted character and unquestioned solvency.

In reality, licensing is merely a prelude to the examination of brokers' books. The question is often asked; The books of banks are subject to examination; why not the books of brokers? A very great distinction exists between the banker and the broker. Brokers are agents for their principals. The business of a banker is primarily the business of the bank and involves the affairs of its depositors only incidentally. The business of a broker is the business of his customers and an examination of the books of the broker involves an examination of the private affairs of all his customers. The examination of brokers' books is proposed as a means of protecting their customers, but the customers are the very people who would protest most vigorously against such disclosure of their private affairs. Business done by a broker for his customers is necessarily of a peculiarly confidential nature, to be guarded as strictly as the secrets of a lawyer or a doctor.

The examination of a broker's books would not afford the public any substantial degree of protection: Licensing and examination of books might result in the improper use of information gained. As a result of the large force of inspectors that such an examination, however purfunctory, would require, the opportunities for graft would be limitless. The confidential information to which the examiners would have access might in some cases reach people disposed to make dishonest use of it. It would open the door to unlimited graft, even if only one examiner out of fifty should prove venal. Consider the price the dishonest operator would pay to learn of the transactions on some brokers' books. Consider the opportunity to trade upon the knowledge obtained.

A proper and competent examination of a brokerage house takes much more time than the examination of a bank of the same relative size. This is because of the diverse and sometimes complicated transactions which occur in the brokerage business. The usual bank examination consists of a verification of assets mainly physical inspection of cash, securities (stocks and bonds) discounted notes, etc., comparison with book figures and determination of sufficiency of total assets to meet liabilities, capital and surplus. It would be a rare instance where a bank examiner would do other than accept discounted notes at face value or where he would confirm depositor's accounts. In a broker's office, however, a determination of the status of and a confirmation of every customer's account is one of the most vital points in the examination. Difficulties involving a brokerage firm may be brought about by partnership operations and would be discovered by inspection and verification of firm accounts. But a firm may also become involved through the operations of its customers making imperative a thorough verification of every customer's account. The need for this and the labor involved is readily appreciated when thought is given to the status of the customers of a broker.

The legal relation is that of principle and agent. The business relation is that of debtor and creditor. It is at this point that the importance of thorough inspection and examination of the customer's account becomes apparent. Is the customer the debtor or the creditor ? In many transactions carried on the broker's books the broker buys securities for the customer, the customer paying the broker only part of the purchase price. This is a margin transaction and the customer is indebted to the broker for the remainder of such purchase price. The broker, however, is accountable and liable for the customer's equity. This equity may become endangered or even exhausted because of fraud, incompetence or deceit of partners or employees, injudicious credit allowances, etc., to the extent of impairing the firm's working capital.

Verification of customer's accounts, you can readily see, is a painstaking and lengthy process and is complicated by the diversity of transactions of customers, not only in various stock markets, but in many instances in various commodity, future and spot markets, foreign exchange and money transactions.

A medium size Bank with say one thousand depositors would present no particular difficulties to an examiner, but a brokerage firm with one thousand open accounts would present a complicated problem requiring a staff of examiners with high special training and an understanding of the various lines of business. As the number of brokers and brokerage firms in the State of New York is greatly in excess of the number of banks an enormous staff of experts would be required for even a cursory yearly examination of every brokerage house.

On the other hand, the New York Stock Exchange, by means of its questionnaire, can detect evidences of irregularities or unsoundness in time to check preventable loss to the customers of its members and this power is exercised to the fullest extent with the complete preservation of the secrets of the broker and client. Its staff of accountants are men who are selected for their character, their special knowledge and their intimate familiarity with the details of the brokerage business.

The last of the proposed provisions, to which I have alluded, is that which would prevent any member of the Exchange from pledging any securities belonging to a customer for a sum greater than the amount owed by such customer or to pledge the same with other securities belonging either to other customers or to the broker. This does not aim at those cases where the broker pledges the customers' securities without his consent; it has always been contrary to law for a broker, without the consent of his customer, to pledge the customer's securities for more than the amount due by the customer thereon, whether alone or with other securities. But it is the law of the Stock Exchange :

> That an agreement between a Stock Exchange house and a customer, authorizing the Stock Exchange house to pledge securities carried for the account of the customer, either alone or with other securities, either for the amount due thereon or for a greater amount, or to lend such securities does not justify the Stock Exchange house in pledging or loaning more of such securities than is fair and reasonable in view of the obligations of the customer to the broker.

It is further the law of the Exchange :

> That no form of general agreement between a Stock Exchange house and a customer warrants the Stock Exchange house in using securities carried for the customer for delivery on sales made by the Stock Exchange house for its own account, or for any account in which the house or any general or special partner therein is directly or indirectly interested.

Thus the Stock Exchange goes further than the law and prevents any member from pledging or loaning more of a customer's securities than is fair and reasonable in view of the customer's indebtedness to the broker.

But the proposed legislation is also intended to prevent a broker, who is a member of an Exchange, even with the consent and authority of his customer, from pledging the customer's securities along with other securities for even the amount owed by the customer thereon. One effect of this provision would be to make it impossible for brokers who are members of the exchange to render to their customers the service which such customers desire, and would practically destroy the business of such brokers. It would discriminate in an extreme degree against brokers who are members of the Exchange in favour of outside institutions and non-member brokers with the result that the members of the Exchange would become mere floor brokers. The greater part of the purchasers of securities on the Exchange are not in a position immediately to put up the full purchase price. They put up part of the purchase price and the balance is supplied by the broker, who must in turn borrow the money from a bank. As business is done, it is wholly impossible for the broker to borrow separately on the separate securities of each customer. It would be mechanically impossible because of the number and volume of transactions. It would be financially impossible because the banks require mixed securities as collateral. The result is that brokers must largely finance their transactions by making large loans, pledging therefor securities belonging to a number of different customers. Of course, in order to do this without violating the rights of their customers they must get their customers' consent, but customers who trust their brokers feel no hesitation in giving the consent which they realise is necessary to enable their brokers to render them the service they want. The control of the Exchange over business transacted on its floor its ability to present manipulation, wash sales, and all other improper transactions, would be very materially restricted, if not wholly lost, if this legislation were enacted. The principals in the transactions would be too far out of reach of the Exchange for it to exercise any degree of control over their transactions. The Exchange as a great institution, composed of firms of large capital and a wide clientele, would cease to exist. It would be a mere meeting place for floor brokers.

Every one understands that neither honesty, intelligence, nor official efficiency can be legislated. It is a re-assuring fact that in the past ten years every proposal to impose these onerous, futile and dangerous restrictions on the New York Stock Exchange has been defeated in Congress or in the New York State Legislature. These provisions were defeated because study revealed the fact that they were deadly and useless.

A bill was introduced in the winter of 1913 in Congress which would have incorporated the New York Stock Exchange and put it under the complete control of political forces, taking away from it the power to regulate its own doings. The bill was beaten in the spring of 1914. During the critical days at the end of July of that year, when the great war broke out, the Exchange was compelled to close, to prevent a panic and to conserve the finances of the country. If that bill had passed in the spring of 1914 and if the Exchange had been incorporated, any individual could by injunction have prevented the closing of the Exchange and thus have precipitated a panic which might have crippled the country's resources.

There are ten thousand new laws annually which go on the statute books only to be forgotten. There are laws on the statute books of the State of New York covering bucketing, conspiracy to defraud, sale of fraudulent securities, and the other forms of this kind of larceny. Why are they not enforced ? The Post Office Department to-day is demonstrating what it can do with the fraud laws on the Federal statute books and is driving stock swindlers out of business throughout the country with a very small force and with a very small appropriation. Its success is due entirely to the fact that Post Office officials mean to put these crooks out of business that they desire to keep them out of business : they do not seek the alibi of new legislation. In law enforcement rather than in new laws lies the solution of the bucket shop problem. Bucketing, stock swindling, fraudulent promotions, are not new. Petty larceny and grand larceny and conspiracy remain the same. The cure is jail sentences ; a determined effort by legal officers of the State to enforce the law. Bucketing is larceny and can be punished under the present laws.

Here are some facts that may interest you. E. M. Fuller and Company—the name should be familiar to you—one of the largest bucket shops, failed in the summer of 1922. The District Attorney of New York County obtained soon after the bankruptcy thirteen indictments each against Fuller and McGee, the partners in Fuller and Company. Fuller and McGee obtained separate trials. The trial of Fuller began in the fall of 1922. The judge dismissed the first grand larceny indictment against Fuller without sending it to the jury. Then followed three trials on the first charge of bucketing against Fuller, resulting in a mistrial and two jury disagreements, together with the most scandalous charges of witness-hiding that have characterised any case in New York in years. During all of these efforts of the Prosecuting Attorney to convict Fuller the constant plea was that he was handicapped because he could not obtain access to the books of Fuller and Company. There was a great deal of noise about a court fight which should wrest from the Receivers the use of the books for the redress of bucket shop victims. Such a fight I believe actually was begun more than a year ago in the cases of Fuller, Dier and Ruskay. In the midst of this fight the Referee Harold P. Coffin, assuming rightly that the books belonged to the bankrupt estate and not to the bankrupts, instructed the attorneys for the Receiver to move before him for the delivery of the books by the Receiver to the Trustee without limitation as to their use and thereupon entered an order to that effect. In less than three weeks the order had been sustained by Judge Julian W. Mack of the United States Circuit Court, and in principle by the United States Supreme Court. The Fuller books were immediately made available to the District Attorney, though his own fight still remained in the United States Supreme Court, and no sooner were these books in the hands of the District Attorney than both Fuller and McGee walked into the court room and entered a plea of guilty of operating a bucket shop. Upon this principle thus established the books of other bankrupt brokers are now available to the prosecuting officers. I cite this case merely to show something of the delays in law enforcement and also to show that the continued harping on the idea that bankrupt bucketeers who fail cannot be prosecuted because their books are not available is not an argument based on facts.

The developments in the Fuller case have absolutely sustained the position of the New York Stock Exchange against licensing, against examination of books and confirmed its contention that where there is law enforcement there is plenty of law. It is my hope and wish that the revelations which are now going on in the Fuller case will show still more clearly bucketing in its complications with politics.

Part of the trouble to-day is the indifference of the average citizen to political matters. He takes little interest in the election or selection of his law makers or of his public officials. He does not follow their records in office and if he votes at all he votes negligently and with his eyes shut. In time he will compel the sworn officers of the law to enforce the laws regularly and impartially. In the meantime enforcement of law by spasms is worse than non-enforcement.

Heretofore the Exchange has contended itself with ignoring attacks in the public prints, with making appearances before the proper legislative Committees and presenting its arguments against legislation through counsel or officers of the Exchange. Hereafter the Exchange intends to fight. We are tired of the abuse and lie which are daily hurled at the Exchange, and while we do not intend to reciprocate in kind, we do intend that every item of information in our possession which will enlighten the public concerning the men who are attacking us, concerning their methods, their purposes, their records, and their objects, shall be given to the public. If an office holder stops long enough at the Grand Central Station to call up the President of the Exchange and tell him that he wants a certain thing done for some one, contrary to the rules of the Exchange, and that he wants an answer in fifteen minutes because his train leaves for Albany, where he is going " to look into the bill aimed at the Stock Exchange " we shall consider that threat an item of news and give the gentleman's name and his threat to the newspapers.

If another office holder, who has a retaining fee from a notorious bucket shop calls us up and gives us seven minutes in which to restore the wires to that bucket shop, under threat of political reprisal at Albany, we shall give that gentleman's name and a record of the conversation to the public with such other details as the facts may warrant. Again, if the author of a bill which was designed to put the Exchange out of business comes to us and asks for a retaining fee so that he may testify that he has investigated the Exchange and found it perfectly all right, we shall be glad not merely to deny the gentleman the retaining fee as we have done, but to give his name, business, post office address, and other facts which will be of interest undoubtedly to the public. Further more, if any man, whether he be public official or not, holding high place or not, writes to the Governors of the New York Stock Exchange or to its President demanding, with covert threat, that certain bucket shops shall have our wires, we shall publish these letters no matter whether the political position of the gentleman in question be high or low. This is desirable not from our own point of view but from the necessity and desirability of advising these gentlemen's confreres as to the character of the men with whom they are associated.

The Stock Exchange will continue to fight bucket shops and it will fight those affiliated with bucket shops who seek to make money out of the power given them by their political connections. Do not think that I am attacking political parties or the great body of public men who are giving their time and earnest effort to the work of government. The State of New York has in its Legislature men of the highest type and in its other public offices men equally impeccable. It is not with political parties with which I quarrel, but political pirates and those hangers-on of politics who are mixed up with politics and interfere with law enforcement. The political bucaneer knows no party and the public official who is spineless in the enforcement of the law is usually the one who makes gratuitous, purposeless and rabble-rousing attacks on decent men and decent institutions. Public Officials should know that crooks take on the protective coloration of respectable business men, but instead of recognising this fact and realising that crooks are crooks and merely the barnacles of decent business, decent business is attacked in the pulpits in the magazines in the public prints.

I hope I have made clear the position of the Exchange. It has fought to keep the people's market out of the hands of crooks and their more crooked allies. It has conscientiously endeavoured to develop some plan which would prevent swindling of the public.

A Committee of the Stock Exchange for a period of nearly a year made an intensive study of every "blue sky" law and regulatory measure in the United States. Bankers, members of investment houses, bond salesmen, members of blue sky commissions and every person who might have any knowledge as to the working of the blue sky laws either from the regulatory end or from the distributing end appeared before the Committee, and gave facts concerning this kind of legislation. The Committee was unable at the end of this intensive study to recommend any single form of blue sky law in existence in United States. It was unanimously of the opinion that legitimate business would suffer through such legislation and the sale of fraudulent securities would not be checked. The question of the examination of books of brokers has been studied from every angle and I have already given you some of the reasons why such examination would be dangerous, while being absolutely useless. The question of licensing has also been studied in every phase and we have found no reason which would justify such licensing while on the other hand we have found many reasons showing its serious possibilities. There are other regulatory measures which the Exchange has considered and which it is still considering.

The Exchange will not pass upon any question off-hand nor has it ever been the policy of the Exchange to take snap judgment. Its members to-day are under the severest rules and regulations of any organization in the world, but every rule and regulation has been carefully thought out and is the result of knowledge and experience.

In conclusion I want to extend to every member of the American Bankers Association an invitation to visit the New York Stock Exchange and study it from the ground up. I also extend this invitation to every newspaper editor in the United States. In fact, we are already planning to extend a definite invitation for a particular date to the editors of the newspapers of the, United States to come and see what the New York Stock Exchange is and to study it carefully and thoroughly. The Exchange wants every man and woman in the United States to have an intimate knowledge of its working, of its purposes, and of the men who are directing its affairs. I have promised a certain kind of publicity to-day and I will add that we welcome any kind of publicity which is based on actual facts. The Stock Exchange and the Banks if they co-operate can bring about that which is of the greatest importance to the whole country economic education and understanding of financial institutions and financial ethics.

APPENDIX 3.

Telegram from Sir Shapurji B. Broacha, Kt. (then Mr. S. B. Broacha) to the Finance Minister.

"I am directed by the Committee of Bombay Share and Stock Exchange to protest strongly against heavy increase of Stamp Duty on Brokers' Contracts and transfer of shares.

Increased tax on Brokers' Contracts will greatly restrict business of Government securities, if not destroy it. Most contracts for Government Paper are under one lac. Contract for 80,000 will require ten rupees stamp. Brokerage on Government Paper is one sixteenth of one per cent. divided in equal moiety between buying and selling broker. One sixteenth per cent. brokerage on 80,000 is fifty rupees, which divided between buying and selling broker is 25 rupees for each. Or on 80,000 rupees contract, stamp ten rupees for rupees twenty-five brokerage, or a charge of forty per cent. on his income. This step is direct discouragement for larger absorption of Government Paper by investors and therefore impolitic and inexpedient. The income negligible. It will induce evasion. Instead of contract notes or memorandums it will induce contracts on parole. Consequences will be similar on all Trustees' securities. In shares Contracts although consequences not so disastrous, contract on parole will be the rule than exception. Increased heavy Stamp Duty on transfers of shares and Debentures instead of increasing will diminish revenue. Fewer shares will be transferred and carring shares with blank transfers will be the rule. It is direct inducement to Companies to issue Bearer Shares. What applies to Government Paper contracts applies to Exchange contracts and hits the Exchange broker equally hard as the Paper broker. The increase expected from the whole catalogue of Stamp Duties is small. Is the sum adequate to discourage or to very much diminish investment in authorized securities. To hamper the financing of nascent industries and enterprises or weaken the moral tone of people by seeking evasions."

APPENDIX 4.

Stock Exchange Settlements.

An American view.

Return to unfettered business, with proper safeguards.

Commenting upon the decision of the London Stock Exchange that it will revert to the old system of fortnightly settlements next September, the Editor of "Barron's Financial Weekly," of New York, says that the move is more significant and encouraging than the layman might suppose. "Since the outbreak of the war there has been a sort of moratorium for a number of Stock Exchange speculative accounts, and the adjustment of this, running, as it does, into many millions sterling, has been no easy matter. With the outbreak of War in 1914 some Government regulation became inevitable, or at least advisable. Speculation was not forbidden, as so many people anxious to "reform Wall Street" suppose. Trading is limited to cash transactions, which can, of course, be as speculative as the heart could wish. It is on such transactions that the New York Stock Exchange conducts its business.

"What is most satisfactory is that a complicated situation is in a fair way of settlement, and that the meddling hand of Government Bureaus is to be removed from what is still the freest and most diversified Stock Exchange in the world. No doubt geographical considerations, in days of slow transportation, dictated the financial centre of the world. It may be said, roughly, to have moved from Sidon, in Asia Minor, at least five centuries before the Christian era, to Carthage, and from Carthage, perhaps, to Rome, and then, with the interregnum between the fall of Rome and the rise of Christian civilisation, to Genoa, to Venice, to Amsterdam, and, finally, with the westward movement of financial empire to London.

A market for everything.

"But London had, and has, a quality which New York lacks. It was, and is, a free market for everything—not merely for the securities of the whole world, but for gold, copper, pig-iron, jute, lard, tea, grain, coffee, wheat, and scores of other things, each enormously helped by the English doctrine of free trade, and the actual encouragement given by the English common law to every man to mind his own business.

"There are all sorts of arguments for and against fortnightly settlements as distinguished from the daily settlements of the New York Stock Exchange, or even the weekly settlement of its humble neighbour, the Consolidated Stock Exchange. But the restoration of that system in London means a return to unfettered business, with proper safeguards provided, not by a meddling and unintelligent Government Bureau ? but by the Stock Exchange Governing Committee, as they should be. The financial centre of the world is not on its way across the Atlantic yet. So long as London and the British Government believe in letting a man take his own risks and reap his own profits there is not much likelihood of a change."

Fortnightly Accounts.

The chief objections to an extension of the period of the account, and there are some who consider that twelve settlements per year would suffice, are (1) the increased possibility of loss in the form of bad debts—the longer the credit the greater the risk—and (2) the additional clerical work to be done. The first point is, of course, contentious. The element of risk is one in which the speculative broker must, of necessity, be his own guardian. It can scarcely be argued seriously that the difference between a fourteen and a nineteen day account is the margin between security and danger. The fact is that risk is a matter of circumstances rather than of time. In any event it is "up to" the broker to look after himself, and additional cover can always be asked, and usually obtained, to balance increased risk. Financial arrangements do not stand in the way of an extension of the account, for loans by the bank can be as easily arranged for one term as for another, within limits, and in point of fact many advances are negotiated on a day-to-day basis, *i.e.*, on the daily total of the customer's overdraft.

Fortnightly account. Its practical operation—views of members.

Over 50 per cent.

Obviously, therefore, the period of the settlement, which in practice begins with the Mining contango on a Friday, and ends with the following Thursday as pay day, is one in which not only recent dealings have to be attended to, but also, and especially in busy time very heavy clerical work. And since in its course it includes a Friday, Monday, Tuesday, Wednesday, and Thursday, and comes into each fortnight of the year, it follows that, the Stock Exchange, being closed on Saturdays, over 50 per cent. (allowing for special holidays) of the working days of members and their staffs throughout the year are given over, to a greater or less extent, to attending to it.

The main arguments against extension to a longer period are (1) the increased possibility of loss in the form of bad debts the longer the credit the greater the risk; and (2) the additional volume of work to be got through during settlement periods if the business to be dealt with is that for, say, three weeks instead of for two-thirds of that time.

As to the latter, the matter boils down to little, if anything, more than a question of individual liking; there does not seem to be any outside issues involved, for from the public's point of view the matter is, on balance, as broad as it is long. In so far as losses which might be made through an extension of the credit period go, the more speculative broker and his clients appear to be those principally concerned, and they need not be regarded as entitled to too much thought.

The more conservative member ought fairly to be expected to go through a three-weekly account without loss of consequence, except possibly, in those times of very abnormal movement, which are, happily, not too frequent.

Even in these he would probably come out very well, and taking the swings with the roundabouts could conveniently and comfortably stand the racket of the period.

The question of finance comes into the discussion, but loans could be as easily arranged for twenty-one days as for fourteen, and in many instances interest is only charged and paid on daily figures—on the day-to-day totals of overdrafts.

Pre-War Practice.

It is argued that the old pre-war practice, under which longer accounts periodically arrived, was, even though nineteen-day accounts were few and far between, a happier and a more agreeable and convenient one. For even if, during the greater part of the year, staffs had to keep their noses to the grindstone, and to be more or less constantly on long duty, as now, it did allow them to from time to time arrange reasonable vacation and give them runs of normal working hours.

It is doubtful whether a change, simple and direct, from the fortnightly to a three weeks account, would work. Many, however, think that without unduly loading it the list of securities dealt, in, as referred to at the outset, for daily settlement, might, since a daily settlement regularises office work, be extended. If that were done a solution, agreeable to the majority, might be found, for with a reasonable extension of the daily list the balance left over to be dealt with at the end of a twenty-one-day account would not be so large, and could, even in busy times, be handled with an effort.

This much is certain, that the all-the-year-round fourteen-day account is a child of whom no one is over-fond.

APPENDIX 5.

THE ECONOMIST (6th October 1923) writes as under:—

Investors and Jobbers' Prices.

The continuance of the boom in tea shares together with the recent revival of interest in nitrates and Electricity supply issues, has brought once more to the front some of the questions that offer perennial matters for misunderstanding between broker and client, matters which require constant correction for them to be properly understood. Most people are aware, in a rather vague way, that Stock Exchange jobbers make prices, that is to say, they quote double prices in a particular share. At the higher price they are prepared to sell, at the lower price to buy, shares from any broker who comes along with an order, and who ascertains this dealing price before he announces what he wishes to do, whether to buy or to sell. This making of prices is one of the fundamental distinctions of the London Stock Exchange, and it is carried to a point in excess of that reached by any other exchange in the World. It is regarded as being the reason for the supremacy of London as a liquid market in so many hundreds of Stock Exchange securities. The willingness of jobbers to stand in the market place ready to sell shares or to buy them indifferently is always held up to be the justification for the system of jobbers that prevails in Capel Court. The tea boom, however, has emphasised one matter which is not readily grasped by the outsider who thinks that jobbers are compelled under the rules of the Stock Exchange, to make price in everything in which they deal. A client writes a broker to buy certain tea shares, and is annoyed to find from the answer that such shares are not obtainable at all; the broker replies that there are none in the market. Upon this the client promptly demands how it is that the jobber will not make a price at which the broker could buy, however unwilling the jobber might be to sell. The fact of the matter is that jobbers are always willing to make prices in stocks and shares, provided they know where to get the stock if they sell it, or where to sell it if they buy it, or, alternatively, whether they think there is a reasonable business risk of their being able to replace or to sell securities which they sell or buy, respectively, from the brokers. If a jobber has no shares on his book, and does not know where to go for them, he makes a price at a risk which is obviously considerable if the market in the shares happens to be active and popular. Some of the tea shares have been going up by a pound or a couple of pounds per diem, and were a jobber compelled to make prices, whether he wanted to or not, it would be impossible for him to satisfy people, who bought shares from him, if he were unable to get these back and had none of his own with which to supply the purchasers. This seems obvious enough to the Stock Exchange mind; to the outsider it carries little or no weight. If, however, the transaction were thought out to its logical conclusion, it would be obvious that the buyer who was able to force the jobber to sell to him shares which the jobber did not possess and could not buy, that buyer might have to wait some very indefinite time before he could obtain delivery. And such waiting is, naturally, not to the liking of any client. It is the same with sales of stock. A man may be eager to get rid of securities—or, more frequently in securities—if a purchaser could be found at any price at all, and he demands from his broker how it is that the latter will not compel a jobber to make a price. But if the jobber has no buyer, and does not want the shares, if he sees many other sellers eager to get out, and nobody wanting to relieve him of his previous acquired stock, it is hardly fair to suppose that he is obliged to make a price which would ensure, nine times out of ten, his being landed with stock for which he could not find a home. The making of prices is an integral part of London Stock Exchange life, and has more to do than anything else with the liquid character of the London markets. But there are times as I have endeavoured to show, when the making of prices is impossible, and perhaps this brief explanation of what happens in abnormal circumstances may help to dispel the misunderstandings, sometimes even suspicions, that arise in the minds of clients in connection with this particular branch of business procedure in the London Stock Exchange.

APPENDIX 6.

Mr. Samuel F. Streit, Chairman of the New York Stock Exchange Committee on Clearing House and member of the Committee appointed by the American Acceptance Council to study the advisability, ways and means of modifying the present system of settlements on the New York Stock Exchange and substituting therefor some system of periodical settlement, says:

> "Because of the tradition that at all times the continuity of liability must be maintained until the final settlement is made, the method of the London Settlement Department involves cumbersome detail not considered necessary in other clearing systems. This is called the trace or continuity system, whereby the settlement Department furnishes to the ultimate purchaser a memorandum or ticket showing the line of responsibility from the original seller to the final buyer, so that in case of default the liability can be traced back to each individual house concerned. The detail necessary to accomplish this result is very great, and at times makes it almost impossible to bring about a balance in time for the opening of business the next morning.

The method of the London Settlement Department carries to its extreme limit the theory of the original liability on contracts, but while it thus apparently increases the security in case of a failure, it is placing every house concerned in danger of possible breakdown of the Clearing machinery, and in times of every great activity it has so fallen down.

The alternative of this system is the *pro rata* clearing which is following by the Continental Bourses and by the Clearing House of the New York Stock Exchange. This system embodies the principles which should be adhered to if a term of settlement is ever adopted in New York.

A *pro rata* clearing was established in London in 1874, but came to an end in 1880; and failed largely because of the fact that there was no proper line of liability, and no authority to enforce it. It was tried in spite of, and almost in defiance of, the Committee at that date, and it has been stated that "The Stock Exchange Committee intended that it never should succeed."

APPENDIX 7.

Honourable Mr. Justice Walter S. Schwabe, Chief Judge of His Majesty's High Court, says :—

"This rule has been the subject of considerable discussion in the Courts of Law, and it has been decided upon evidence given by officials and members of the Stock Exchange, that this 'buying of and selling to' is not a real purchase or sale, but is a mere fiction resorted to for the purpose of arriving, as between members and a defaulter, at the amounts that are to be paid to, or received from, the defaulter's estate.

The result of these fictitious dealings is the same as regards the position of members between themselves, as if an actual resale or repurchase had taken place at the hammer price, and the transactions were thereby closed ; but it must be borne in mind that when a non-member is interested these fictitious dealings do not as a rule affect him.

The differences arising under this rule, and paid to the Official Assignee, form a fund which has been decided by the Courts to be purely artificial, and therefore, should the defaulter also be made bankrupt, do not under any circumstances pass to the trustee in bankruptcy.

Differences due to the defaulter in the ordinary course, either by clients or jobbers, form no part of this artificial fund.

Another artificial fund, which the Official Assignee can always retain as against the trustee in bankruptcy of the defaulter, is that made up of differences received by the defaulter in the course of the completion of bargains by means of tickets. As has been seen, a member may be entitled on account day to the difference between the ticket price, or making-up price, and the price of his bargain ; and it has been held that these differences are to be treated in the same way as hammer-price differences.

APPENDIX 7.

Translation of a pamphlet 'Corner in the Share Bazar' by Mr. K. R. P. Shroff.

"CORNER IN THE SHARE BAZAR."

BY K. R. P. SHROFF, SHARE, STOCK AND EXCHANGE BROKER.

Nowadays the question of corner in the Share Bazar has become a question of great controversy. It has not been solved as yet, and in my humble opinion is never possible of any solution. After a corner in the shares of a particular concern takes place hot discussion ensues as regards its solution and the settlement arrived at is never satisfactory to either of the contending parties. It is better to devise means to check than to frame rules for the purpose of effecting a settlement after it has taken place. Prevention is better than cure. Now what is a corner ? Looking to the huge volume of forward business which is transacted in the Share Bazar, business in shares of every scrip for a larger number than the actual number of shares of the Company is done in two or three days. There is not the least doubt that the purchases and sales of the shares of a particular Company must at the end of the month exceed the actual number of shares of the Company in view of the fact that purchases and sales in the shares of the Company are effected by hundreds every day. But as many of these purchases and sales are fictitious and budla is effected in the end very few are offered for delivery and consequently the existence of a corner therein is not experienced at all. But if fresh forward business were prohibited before the budla and the brokers were called upon to produce the lists of their transactions for both the vaidas, its existence would be immediately detected. Still we don't construe it into a corner for the fictitious sales and purchases adjust themselves. But when either the buyer or the seller refuses to make budla or the bears do not cover their sales till the end the position becomes critical and is construed into a corner, though really speaking it is not so. As long as delivery is not given and taken so long it is futile under the present circumstances to assume the existence of a corner for the reason that unlimited fictitious transactions daily take place without any restriction. Really speaking it is the controlling of shares with the sole object of inflating their price that can be called a corner. If an individual or a syndicate were to secretly buy up almost all the shares of a concern and others being ignorant of such secrecy were to continue to sell them under the belief of covering their sales in the market at the market rate and if they eventualy find that they have to purchase them from the very person to whom they have sold at the rate dictated by him then that state of things would be a corner. But if at such a juncture shares are freely available in the market at a reasonable rate and if the short sellers refuse to cover their sales on account of their being obliged to pay heavy losses that state of things cannot be called a corner. For if it is, then the voluminous dealings in every concern would be corners. And it would not be at all difficult nowadays to effect a corner in this way in any scrip.

If various operators not holding any share in a certain concern were to injudiciously effect sales therein and continue to do so till they far exceed the actual number of its shares and if being unable to cover them at a profit, refuse to buy at the market rate or to give delivery at the proper time, would they be justified in alleging a corner in order to avoid payment of the loss they had incurred ? Had the market sagged owing to their sales, they would have made a large profit. Would it not therefore be unbecoming on their part to allege a corner when they should honourably pay their loss by covering them in the market at increased rates. I do not mean to say that such corners do always take place on our Exchange, but what I wish to say is that they are possible. For if an individual holding a good number of shares in a particular company continues to purchase more shares of that company at rates forced down through the unlimited fictitious sales made by bears he is in my opinion quite justified in doing so and even in creating a corner if one is created thereby. He is indirectly compelled to do so and that too by the unlimited fictitious sales of the bears. If a furious man in the height of fury were to assault and beat you would you not be justified in your self-defence in beating or even in killing him ? Self-defence does not constitute crime. The law does not consider him to be a murderer. Similarly would not a bull be justified in dictating his price when the bear abnormally forces it down by unlimited and injudicious unrestricted fictitious sales. Then what is the remedy to prevent corners ? In my opinion it is only after ascertaining the manner and circumstances in which a corner has taken place that you can devise measures to avert it. No laws or enactments passed either in or out of the Exchange will ever remedy the evil. Do you know of any evil being ever checked by laws and enactments ? No Government of any country in the world has ever succeeded in eradicating an evil by passing even the most stringent measures, and on many occasions such measures have been productive of more harm than good. It is therefore futile to expect to check corners by passing any number of laws and rules. If an individual or a body corporate is able to create a corner and has the necessary funds to do it, he would succeed in his object, however stringent the rules and regulations might be for cornering in securities or commodities is quite legitimate. There is nothing illegal in it. There have been, there are and there will be corners in cotton, rice, wheat, silver and other commodities. Though they are pernicious, neither the Government nor the public have been able to do anything to prohibit them. What wonder then if corners take place in shares ? These corners are not in any way injurious or disadvantageous to the public or the country. If they harm any body, it is the cornerer himself or the individual who encourages or assists him in his game. Those who play this game clearly realise what risks they incur and therefore outsiders should not intervene. They should be allowed a fair play to the end, that is, till the one succeeds and the other suffers. It is only when either of them misbehaves or misconducts himself that outsiders should intervene. Why do then the Stock Exchange authorities interfere in the matter of cornering in shares ? Whom do they benefit? Do they intervene to serve their own purpose or to safeguard the interests of the bulls as well as the bears ? Does any of the contending parties derive any benefit thereby. It is alleged that the authorities interfere with the sole object of meeting out justice but I for one believe that they never do good to either. Let others dissent from me, but my conviction is that the interference is productive of harm to both. What then should they do ? Should they keep quiet with folded hands and complacently watch the game ? No, certainly not. It is amusing to watch the game till it is judiciously played. Premature interference results in nothing but harm. The existence of the present rules about corners has encouraged corners and will continue to do so in future. Really speaking the aim of such rules should be not to penalise or strike a blow on the cornering party or to do him harm out of malice, but to protect the innocent party, the capitalists, and the investing public from any loss it may have to suffer. Corners do not in any way cause loss or disadvantage to the investing public. On the contrary they benefit it. The investors sell out their holdings to the cornerers at the inflated rates and again buy them up from them at reduced ones and thereby make double profit. They are never losers.

There have been no instances in which a cornerer has ever compelled the investors to sell their holdings at reduced rates. The latter do not see any necessity to part with their holdings till they get their desired rates ; and if the rates were to rise after they dispose of their holdings they do not suffer in the least. It is the short sellers who make fictitious sales that suffer. Are these men innocent ? Are they cheated through their ignorance or mistake ? Do they need any protection ? There may be some who believe that they should be protected and saved from loss. But I ask why, and I get no satisfactory reply. If these persons find themselves driven into a deep pit, it is through their own misdoings, and not through those of others. I however do not mean to say that they should be allowed to rot there. They should be helped out and not allowed to die submerged therein. But they should and must reap the fruits of their folly. It is the duty of us all to mete out proper justice and that should be our aim. But the contention that they should be saved from loss is ridiculous and unjust. Why did they enter into fictitious sales and what need had they to do so ? What was their object in effecting them ? Just as an individual or a body not holding a single share in a Company is at liberty to sell any amount thereof with impunity in the same way the purchaser is at liberty to buy them up. How can his right to do so be questioned ? The Law allows him that freedom completely. Now a short seller makes fictitious sales with the sole object of making a profit by covering them at reduced rates. If he succeeds in his object he considers himself to be fortunate but if he does not on account of the rates not going down as anticipated by him, he thinks his judgment was wrong. In that case whose fault is it ? It is his own folly and he should pay the penalty. Even the change in circumstances should not be advocated by him as the reason of not paying his loss. He must pay the penalty. Professor Huebner says, " Short sellers do not determine prices. By selling they simply express judgment as to what prices will be in the future. If their judgment is wrong they will suffer the penalty of being obliged to go into the market and buy securities at higher prices."

Accordingly it is quite unjust for them to expect to save themselves from the loss without paying the penalty and no Association should save them by affording protection under its rules. If it does it would be tantamount to encouraging them to make fictitious sales and it would be no wonder if they were tempted to effect them. Therefore affording protection to any party whether bearish or bullish would be no justice at all. Though cornering is no crime, it is advantageous to none, and should not therefore be encouraged. No party, secretly buying shares solely with the object of cornering or trying to succeed in its aim by manipulation should on any account be allowed to achieve its aim. Similarly no party making fictitious sales solely with the object of making a profit and causing depression in the market should be encouraged. Sellers as well as buyers should have equal rights and both of them should be uniformly protected.

If an individual or a syndicate were to buy up shares available in the market at the price demanded by the seller, would he be acting unfairly or illegally ? Should not he or it buy those shares ? Really speaking the seller ought not to have entered into fictitious sales : and if he did, and the buyer took them up at the price demanded by him, it would be quite unfair to blame the buyer, if the seller failed to give delivery. Why should he be blamed ? Why should he be penalised ? What sort of justice would it be ? Did he compel the bear to sell ? Did he, by false representations, induce him to sell ? Did the bear sell against his wishes ? Was he induced by false reports to do so ? Such instances have never been cited. The bears effect the sales voluntarily with full knowledge and clear judgment, expecting a decided fall in the price ; and with view to make a profit thereby : and if they fail in their attempts no one is to blame, but they themselves. It is natural for rates to go down if people effect fictitious sales on the rumours of a mill-strike, or the failure of the monsoon or dullness in the cloth market and other similar reports and the holders thereof are most likely to suffer. But if they under those circumstances were to keep on buying to minimise their loss and if at the time of delivery the bears failed to give it and by their covering caused a rise in the price tended to create a " Corner," who is to blame ? Certainly the bears. Mr. Hartley Withers writes, " So it falls out that bears, if there are too many of them, tend to create a corner against themselves." In such cases the bulls have no intention of creating a corner but it is the bears who compel them to do so.

Mr. J. F. Wheeler, Financial Editor, The Commercial Press Bureau, writes as under :—

> " Frequently these corners are not intentionally brought about, but are unintentionally initiated by ' bears ' who have operated so extensively as to produce what is known as ' an oversold account'. If much of the available market supply of shares is in the hands of a comparatively few operators, the latter will quickly take advantage of the excessive position open for fall to squeeze the bears."

Therefore the just way to prevent a corner is to put a stop to the unlimited fictitious sales now entered into. The greater the reduction in such sales the less are the chances of a corner taking place. Of course any individual is at full liberty to sell his holdings if he thinks the present circumstances unfavourable to a rise if he thinks the market will fall and the future is gloomy. And he would be perfectly justified in so doing. But if he enters into fictitious sales with the sole object of securing a profit for himself and of ruining others he will not be prevented from doing so, but in that case he must be prepared for whatever consequences that might ensue.

Now there are certain persons who believe that fictitious sales can be prohibited by stopping " Vaida Dealings " and allowing only " Cash ones." But their belief is far mistaken. Fictitious sales are even possible in " Cash business " and we have experienced them. Of course short sales can be made in " Vaida dealings " but it is erroneous to hold that Vaida business cannot be done without them. " Vaida" business is possible without them and it was done in certain countries. It is true that the volume of " Vaida business " would decrease if fictitious sales are not made and the enormous extent to which it is carried on at present would diminish and in my opinion it would be most welcome. But there is no need of putting a stop to " Vaida business " or to completely do away with the fictitious sales. Moderate fictitious sales are necessary on every Exchange, be it a Stock Exchange, a Cotton Exchange or a Bullion Exchange. Germany and France had by passing enactments put a stop to such sales by declaring them " illegal " but they were compelled to revert to them. An Exchange would not be worthy of its name if it consisted wholly of bears or wholly of bulls. There must be both bears and bulls on the Exchange. " In fact there could be no organised market for securities worthy of the name, if there did not exist two sides, the Bull and the Bear."

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Just as it is impossible to completely check a corner so it is equally impossible to completely check fictitious sales. The only thing necessary to be done at present is to improve the method and proportion in which vaida business is transacted and for that purpose, corners as well as fictitious sales should be discouraged. No special rules or regulations should be enacted to prevent corners. Such special laws encourage fictitious sales and make the bears believe that they limit their loss to a certain extent. Let us examine how such laws encourage fictitious sales and help corners instead of checking them. Suppose the rate of shares of a certain concern is quoted at Rs. 1,900. Some persons believing that they have been cornered, infer that the Board would interfere and fix their rate and are consequently induced to make fictitious sales somewhere about Rs. 1,900 and actually order their brokers to sell them at that rate. If the broker tries to dissuade them from selling on the ground that the holdings being in strong hands, there is no hope of the price sagging, he is told that the shares being in strong hands, as alleged, and there being the likelihood of a corner the Board would certainly interfere, and fix a price and he would have a very few chances of suffering and paying any loss; but if on the other hand, the rate went down or the Board fixed a low rate with the object of punishing the cornerer, he would be a gainer, and in that case he would give an order to sell 100 shares instead of 10. It is in this way that fictitious sales increase in the market. Similarly those who have already oversold, refuse to cover their sales though advised to do so by their brokers, under the false belief that if the price went up further the Board would interfere and fix it which being lower than their selling price, would bring them a profit. In this way even the bears refuse to cover their sales. However unwilling the bulls may be to create a corner, they are compelled to do so, as the bears refuse to cover their sales under the certain belief that they would be enabled to do so at a very low rate, and that if they failed in their attempts, the rules of the Exchange would afford them protection. So if the present one-sided rule were not in existence, such occasions would hardly have arisen. The bears whilst effecting fictitious sales at the current rate whatever that may be would be deterred from doing so, being afraid of courting a disaster; whilst those who have already oversold, would, for similar reasons, cover their sales forthwith, and thus the danger of a corner would be averted. It was exactly in this manner that the apprehended corner in the New Great and Currimbhoy Mills shares was averted. It is only by creating a fear in the minds of the bears that by entering into unlimited fictitious sales they would bring about their own ruin and perdition, that they would be prevented from overselling to an unlimited extent and *ipso-facto* speculation would diminish. We find in many markets that as a natural rule there is only one bear to nine bulls, and therefore they work smoothly.

Mr. J. F. Wheeler writes in his Book on " Stock Exchange " that when the general public speculates it always sides with the bulls and hardly ever with the bears. Therefore " Mandi transactions" are not transferred from one vaida to another, but are closed at the end of the vaida.

" The speculators amongst the general public are much more often bulls than bears " —Stock Exchange Investment by J. Burn.

But in the Bombay Stock Exchange the reverse is the case. Corners hardly take place in other markets for the operators there fully realize the great risk and disaster they would have to undergo by making fictitious sales. I quote the following passage from Mr. Brown's Book :—

> " For some unaccountable reason, many people believe that there is more risk involved in going short of a stock than long. Perhaps the idea has been instilled in their minds by stories of stocks in the past that have been cornered causing the financial ruin of operators that were short."—Practical Points on Stock Trading by S. Browne.

In 1890 a New Company under the name of ' Warner and Company ' was floated with a capital of £700,000 and its shares were offered to the public. Though they were all not taken up their price went up from £10 to £12. So many thought that it was quite safe to make fictitious sales at that rate and did so. Taking hold of this opportunity the promoters allotted to themselves the remaining unsubscribed shares and also bought more in the market with the result that the rate went up to £15. Tempted by this fresh rise many made more fictitious sales and the promoters were enabled to secure all of them and subsequently cornered. The London Stock Exchange, after a great delay fixed the day for the special settlement and the price shot up to £130, *i.e.*, a share of the nominal value of Rs. 150 was quoted at Rs. 1,950 and a day after the settlement was over it was again quoted at £10, *i.e.*, Rs. 150. It will thus appear that it is the dread alone of experiencing a serious loss that will deter the bears from overselling and that is the only effective remedy of a corner. And it was from that day the Company came to be called " The Warner's Safe Cure for Bears."

It may be asked would the non-existence of a corner rule or the repeal thereof, if any, avert corners ? My answer is corners will take place whether such rules exist or not. They will never be stopped by any law. But the absence of a rule or law will minimise the chances of a corner and prevent its repetition. Once a short-seller is afraid of entering into fictitious sales through fear of incurring a great loss he will cease to do so to an unlimited extent and will thereby discourage a corner. But if in spite of this a corner is created what measures should be adopted ? Should the bears be allowed to pay the price dictated by the Bulls ? Should they be left at the mercy of the Bulls ? Vaida business takes place in almost all the Stock Exchanges of the World, but nowhere does the corner rule exist. Corners do take place there. Then why should not we follow the system prevailing there or introduce the measures adopted by them under such circumstances? If a seller is unable to give delivery of the share sold by him, law directs that he should pay damages at a fair rate or if the share is available in the market at a reasonable rate he should buy and deliver it. But if the purchaser insists on the delivery of the share and if the same is either not available in the market or the buyer refuses to resell at a reasonable rate the seller is not bound by law to give delivery. The Vendor having broken his contract, the vendee is only entitled to damages and that too at a reasonable market rate, and not at the rate to be dictated by him; and at such a juncture it is the Board of Directors or the Arbitrators appointed for the purpose who should without the help of any rule or enactment, determine what the reasonable rate should be or what damages the seller should pay to the buyer. If they act fairly and impartially their decision would be upheld in a Court of Law. But if they fix a rate which is not the *bona fide* market rate, their decision would be unjust and would not be upheld by any Court. Thus a rule or enactment providing for the payment of reasonable damages would not be productive of any harm to any one. But if a rule were to authorize the Directors or the Arbitrators to direct that damages should not be paid or be paid at a rate they liked, or at a rate much lower than the market current rate, it would be unjust and illegal and the decision given thereunder in favour of one and to the detriment of the other would not be accepted by a Court.

What is the object of a Stock Exchange? It is to uniformly safeguard the interests both of the buyer and the seller, to decide all disputes arising between them, to provide for them facilities in making sales and purchases and to put a stop to improper dealings. A writer has observed "Stock Exchange should be the servant of the public, not its tutor, its business is not to guard the public against its own follies."

The following extract will show what are the legal rights of a buyer and a seller:—

"As between buyer and seller whether members of the Stock Exchange or not, failure to deliver, or to take delivery, and pay, constitutes a breach which gives a right of action for damages for breach of contract and in some cases, an alternative right to enforce specific performance.

The more usual course, on the breach of contract to accept or deliver shares, is to sue for damages in an action at Law.

Where a purchaser fails to accept, or a seller fails to deliver, securities, the measure of damages is the difference between the contract price and the value of the securities at the proper time for performance.

The seller is under no obligation, on his contract being broken, to sell elsewhere; and similarly the buyer is under no obligation to buy elsewhere; and the price realised on a resale, or paid on a repurchase, is not material, except so far as it may be evidence of the market price or value.

Cornering the market consists of purchasing securities from persons who, when the time comes for delivery, will be unable to obtain them. Generally, in a successful corner the persons purchasing have all the securities under their control. The result of such operations is that sellers, or **Bears** are **Caught**, and in order to deliver, have to buy from the very persons to whom they have to deliver, at a price dictated by them, and only limited by the means of the persons so caught. In the absence of fraudulent representations, made with the object of inducing and in fact inducing persons to sell, neither the Courts nor the Stock Exchange Committee will assist persons to escape the results of their having made unwise bargains."—The Law of the Stock Exchange, by Mr. Walter S. Schwabe, one of His Majesty's Counsel, and Mr. G. A. H. Branson, Bar.-at-Law.

Mr. S. Brown writes in his "Tidal Swings of the Stock Market":—

"On the other hand, there are many other stocks of which the 'floating supply' is small and for the most part concentrated in the hands of a few persons. It is quite obvious that those persons can if they wish or if they find it profitable, or if they imagine it will be profitable, establish for such a stock a price higher or lower than would naturally be warranted by the investment conditions affecting it.

"This would do no harm if the public would refuse to buy such a stock at artificially high prices or to sell it at artificially low prices; but the public does not possess that degree of wisdom. Hence the establishment of artificial prices for any stock—usually called 'manipulations'—does do harm to the outside speculators who try to follow the manipulation and would long ago have been suppressed if any body could find a way to suppress it without interfering with the right of freedom of contract and thus doing more damage than good.

"Moreover who shall say when the price of a stock is legitimate and when it is artificial? Evidently this would require some sort of superman, not yet developed on the earthly place. It very often happens that a price which is regarded as artificial afterwards proves to have been entirely warranted by conditions, those conditions having been at the time known to only a few persons."

Really speaking the rise and fall in the share market cannot be gauged like the tide and ebb in the ocean. They are governed by the principles of economics and not by those of mathematics and astrology.

The views of the above writer will convince every reader that it is quite unjust to interfere with the right of freedom of contract and that such interference causes more harm than good. But what have we experienced here ? I leave it to the reader to decide. The following extract will show how strictly the London Stock Exchange acts to enforce that right.

Mr. A. P. Poley, Bar.-at-Law, and Mr. F. H. Carruthers Gould of the London Stock Exchange :—

> "The great Stock Exchange doctrine is the inviolability of bargains, a doctrine which Committees from the earliest days have insisted on. Indeed it is difficult to see how business involving enormous sums of money could be transacted every day if this were open to any question. Therefore except in the rarest instances, the Committee will not interfere even to put off or annul special settlement that is once fixed though apparently the circumstances fully justify it, because such a proceeding would necessarily cancel a number of existing bargains. The policy of the Committee may be right or wrong from the public point of view, but it is a policy that is not likely to be altered."

Why then should we not adopt the policy which the London Stock Exchange has followed for years together without experiencing any bitter consequences ?

MOTILAL GANGADAS,
Authorised Government Translator.

APPENDIX 8.

Table of Index Figures showing Fluctuations in shares (by Mr. G. Findlay Shirras).

STOCK EXCHANGE ENQUIRY COMMITTEE.

EVIDENCE OF MR. FINDLAY SHIRRAS.

I. An Index number of 100 securities, divided into the following groups, has been prepared for the Committee at the request of the Secretary :—

TABLE I.—*Securities Index Number.*

Group.	No. of securities.	Pre-war price (July 1914).	July 1915	July 1916	July 1917	July 1918	July 1919	July 1920	July 1921	July 1922	July 1923
Government and Corporation securities ..	7	100	96	87	73	74	77	65	65	63	72
Banks	6	100	95	112	126	126	191	174	162	157	145
Railway Companies ..	10	100	113	123	102	97	107	91	92	94	102
Cotton Mills	42	100	97	114	138	212	216	438	450	406	229
Cotton Ginning and Pressing Companies ..	8	100	94	102	118	131	126	168	158	163	147
Cement and Manganese Companies	4	100	98	245	404	456	627	505	529	413	196
Electric Undertakings ..	2	100	90	122	128	139	237	263	212	175	136
Miscellaneous Companies ..	21	100	105	147	190	185	210	229	203	163	126
Industrial securities ..	93	100	101	130	158	194	216	313	311	267	176
General Average ..	100	100	100	127	151	184	206	296	295	253	169

The basic or standard period has been taken as July 1914 because the month previous to the outbreak of war is usually selected in such indexes. Quotations have been taken month by month from July 1919 onwards. Previous to July 1919 the quotation for July in each year only was selected.

Considerable difficulty was experienced from the absence of daily official lists. The quotations were obtained from the Weekly Reports of "The Times of India", various issues of "Capital", representative brokers in the City and in a few cases from the transfer' registers of Companies.

It is desirable that the Bombay Stock Exchange should publish daily official lists on the lines of the London Stock Exchange and similar Exchanges. Where considerable fluctuations take place it is desirable that the opening, closing, highest and lowest prices should be known.

II. The history of the share boom and its aftermath is seen in the coloured charts and in the monthly variations especially of cotton mills and other securities.

TABLE II.—*Cotton Mill Shares (42 Companies).*

(July 1914 = 100)

Month.	1919	1920	1921	1922	1923
January	..	389	388	409	292
February	..	368	380	384	288
March	..	415	340	391	255
April	..	475	365	379	241
May	..	403	375	381	235
June	..	388	383	401	222
July	216	438	450	406	229
August	230	434	445	388	216
September	227	417	462	373	225
October	252	380	461	344	213
November	282	383	448	298	216
December	317	376	433	283	..

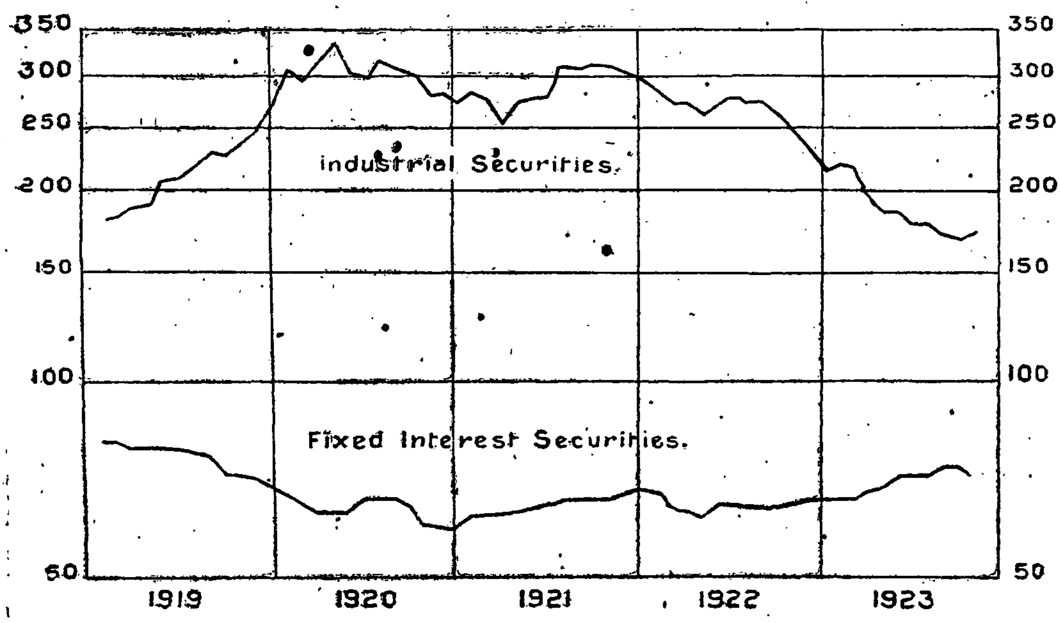
TABLE III.—*Industrials and Fixed Interest-bearing (Government and Corporation Securities).*

(July 1914 = 100)

Year and month.	Fixed Interest Securities.	Industrial Securities.	General average.
1919			
January	80	178	172
February	80	180	174
March	79	183	176
April	79	189	182
May	79	205	197
June	79	207	198
July	77	216	206
August	76	224	213
September	71	221	211
October	70	232	221
November	70	247	235
December	68	265	252
1920			
January	66	304	288
February	65	291	275
March	63	311	294
April	63	338	319
May	63	301	284
June	65	292	276
July	65	313	296
August	65	307	291
September	64	296	281
October	60	277	262
November	59	276	261
December	58	270	255
1921			
January	61	277	262
February	61	273	259
March	62	251	238
April	62	266	252
May	63	271	256
June	64	275	261
July	65	311	295
August	65	306	289
September	65	312	295
October	65	308	292
November	66	300	284
December	67	292	276
1922			
January	66	278	263
February	63	265	251
March	63	267	253
April	62	259	246
May	64	265	251
June	64	277	264
July	63	267	253
August	63	267	253
September	64	257	244
October	64	243	231
November	65	221	210
December	65	210	201
1923			
January	65	216	206
February	65	214	204
March	67	193	185
April	68	186	178
May	71	183	176
June	71	176	168
July	72	176	169
August	73	168	161
September	73	166	159
October	72	163	157
November	71	163	156

SECURITIES INDEX

(Pre-War=100)



APPENDIX 9.

Table showing Volume of Business.

Volume of business in Clearing House.

Months.	Amount paid and received in differences by Clearing House.			Amount paid and received as value for shares by Clearing House.		
1921	Rs.	a.	p.	Rs.	a.	p.
June	33,77,508	5	9	Sett. not cleared.		
July	43,10,528	15	7	2,24,87,282	8	0
August	1,24,50,000	0	0	3,93,65,745	0	0
September	40,67,000	0	0	3,05,61,515	0	0
October	58,78,550	3	8	2,67,28,110	0	0
November	99,35,470	4	0	3,05,38,060	0	0
December	58,68,364	4	4	2,21,31,057	8	0
1922						
January	42,09,430	3	0	1,53,36,035	0	0
February	49,14,205	14	6	1,83,51,985	0	0
March	49,53,857	12	2	1,68,62,547	8	0
April	1,32,58,927	8	5	2,41,55,635	0	0
May	33,23,213	12	9	1,79,42,354	0	0
June	65,00,170	3	6	1,48,73,675	0	0
July	34,07,145	4	0	2,33,21,840	0	0
August	61,01,859	14	0	1,84,84,225	0	0
September	93,77,654	10	0	3,35,84,400	0	0
October	46,77,396	13	0	1,49,80,825	0	0
November	26,36,451	11	0	61,73,521	8	0
December	24,99,453	7	6	45,72,905	0	0
1923						
January	16,14,600	4	9	54,14,115	0	0
February	20,61,706	6	3	56,99,607	8	0
March	23,18,153	8	0	49,13,657	8	0
April	40,11,100	10	6	52,91,975	0	0
May	20,68,220	7	9	55,16,660	8	0

1st December 1923.

Manager,
The Clearing House.

APPENDIX 10.

A List of Companies admitted to Dealings.

List of companies on Forward List.

1. Ahmedabad Advance Mills Co., Ltd.
2. Bombay Cotton Mills Co., Ltd.
3. Bombay Dyeing Mills Co., Ltd.
4. Century Mills Co., Ltd.
5. Central India Mill (Nagpur).
6. Colaba Land Mills Co., Ltd.
7. Crescent Mills Co., Ltd.
8. Indian Bleaching & Dyeing Co., Ltd.
9. Indore Malwa Mills Co., Ltd.
10. Kohinoor Mills Co., Ltd.
11. New Great Eastern Mills Co., Ltd.
12. Pearl Mills Co., Ltd.
13. Phoenix Mills Co., Ltd.
14. Sir Shapoorji Broacha Mills Co., Ltd.
15. Simplex Mills Co., Ltd.
16. Swan Mills Co., Ltd.
17. Swadesh Mills Co., Ltd.
18. Alcock Ashdown Mills Co., Ltd.
19. Bombay Burma Trading Corporation Co., Ltd. (Old shares).
20. Bombay Electric Supply & Tramways Co., Ltd.
21. Bombay Steam Navigation Co., Ltd.
22. Bundi Portland Cement Co., Ltd.
23. Central India Mining Co., Ltd.
24. Indian Cement Co., Ltd.
25. Kutni Cement Co., Ltd. (Ordinary shares).
26. Shivrajpur Syndicate Co., Ltd.
27. Tata Steel Co., Ltd. (Ordinary shares).
28. Tata Steel Co., Ltd. (Deferred shares).
29. Tata Hydro Electric Supply Co. (Ordinary shares).

The following 11 companies will be quoted for forward business from the 7th January 1924.

30. The Ebrahim Pabaney Mills Co., Ltd.
31. The Fazulbhoy Mills, Ltd.
32. Edward Sassoon Mills, Ltd.
33. Madhowji Dharamsi Manufacturing Co., Ltd.
34. The Mysore Spinning & Manufacturing Co., Ltd.
35. The Mathradas Mills, Ltd.
36. The Finlay Mills, Ltd.
37. Tata Mills, Ltd.
38. Meyer Sassoon Mills, Ltd.
39. Gokak Mills, Ltd.
40. Globe Manufacturing Co., Ltd.

List of companies which are quoted for cash.

1. Alliance Cotton Mills Co., Ltd.
2. Apollo Mills Co., Ltd.
3. Assur Virji Mills Co., Ltd.
4. Bhivani Mills Co., Ltd.
5. Bombay Industrial Mills Co., Ltd.

6.	Bradbury Mills Co., Ltd.	
7.	Kurla Mills Co., Ltd.	
8.	Currim Mills Co., Ltd.	
9.	David Mills Co., Ltd.	
10.	Dawn Mills Co., Ltd.	
11.	E. D. Sassoon United Mills Co., Ltd.	
12.	Elphinstone Mills Co., Ltd.	
13.	Emperor Edward Mills Co., Ltd.	
14.	Port Canning Mills Co., Ltd.	
15.	Framji Petit Mills Co., Ltd.	
16.	Gold Mohor Mills Co., Ltd.	
17.	Hindustan Mills Co., Ltd.	
18.	Indian Manufacturing Mills Co., Ltd.	
19.	Jamshed Mills Co., Ltd.	
20.	Jivraj Balu Mills Co., Ltd.	
21.	Kasturchand Mills Co., Ltd.	
22.	Khandesh Mills Co., Ltd.	
23.	Khatau Mills Co., Ltd.	
24.	Laxmi Cotton Mills Co., Ltd.	
25.	Madhavrao Sindhia Mills Co., Ltd.	
26.	Madras United Mills Co., Ltd.	
27.	Maneckji Petit Mills Co., Ltd.	
28.	Morarji Goculdas Mills Co., Ltd.	
29.	New City of Bombay Mills Co., Ltd.	
30.	Planet Mills Co., Ltd.	
31.	Central India Mill (Nagpur).	(Preference shares.)
32.	Premier Mills Co., Ltd.	
33.	Presidency Mills Co., Ltd.	
34.	Sassoon Cotton Mills Co., Ltd.	
35.	Sassoon Silk Mills Co., Ltd.	
36.	Solhapur Mills Co., Ltd.	
37.	Tata Mills Co., Ltd.	(Preference shares.)
38.	Union Mills Co., Ltd.	
39.	Visnu Cotton Mills Co., Ltd.	(Ordinary shares.)
40.	Visnu Cotton Mills Co., Ltd.	(Preference shares.)
41.	Western India Mills Co., Ltd.	
42.	Back Bay Bath Co., Ltd.	
43.	Badam Pile Co., Ltd.	
44.	Bombay Burma Trading Corporation, Ltd.	(New shares.)
45.	Bombay Flour Mills Co., Ltd.	
46.	Bombay Ice Manufacturing Co., Ltd.	
47.	Bombay Steam Navigation Co., Ltd.	(Preference shares.)
48.	Bombay Uganda Co., Ltd.	
49.	British Burma Petroleum Co., Ltd.	
50.	Eastern Chemical Co., Ltd.	(Ordinary shares.)
51.	Eastern Chemical Co., Ltd.	(Deferred shares.)
52.	Empire of Life Co., Ltd.	
53.	Gobhai Karanjia Co., Ltd.	
54.	George Gagan & Co., Ltd.	
55.	Eastern Cotton Co., Ltd.	(Ordinary shares.)
56.	Eastern Cotton Co., Ltd.	(Preference shares.)
57.	John Roberts & Co., Ltd.	
58.	Jost Engineering Co., Ltd.	
59.	Camp Co., Ltd.	

60. Marks Co., Ltd.
61. Marsland Price Co., Ltd. (Ordinary shares.)
62. Marsland Price Co., Ltd. (Preference shares.)
63. Mackenzie Mills Co., Ltd.
64. New India Insurance Co., Ltd.
65. New Union Flour Mills, Co., Ltd.
66. Oriental Government Security Life Insurance Co., Ltd.
67. Philips Co., Ltd.
68. Scindhia Steamer Co., Ltd.
69. Sardar Carbonic Gas Co., Ltd.
70. Stewert Jackx Co., Ltd.
71. Tata Iron Steel Co., Ltd. (Preference shares.)
72. Tata Iron Co., Ltd. Second. (Preference shares.)
73. Thakkar Co., Ltd.
74. Wadia Woollen Mills Co., Ltd.
75. Kilachand Mills Co., Ltd.
76. Indian Woollen Mills Co., Ltd.
77. Bamankuwa Co., Ltd.
78. Dwarka Cement Co., Ltd.
79. Kutni Cement Co., Ltd. (Deferred shares.)
80. Kutni Cement Co., Ltd. (Preference shares.)
81. Punjab Cement Co., Ltd.
82. Ahmedabad Electric City Co., Ltd.
83. Andhra Valley Co., Ltd. (Ordinary shares.)
84. Andhra Valley Co., Ltd. (Preference shares.)
85. Bombay Electric Supply & Tramways Co., Ltd. (Preference shares.)
86. Karachi Electric Supply Co., Ltd.
87. Surat Electric City Co., Ltd.
88. Tata Hydro Electric Supply Co., Ltd. (Preference shares.)
89. Telephone Co., Ltd.
90. Akbar Press.
91. Fort Press.
92. Harvi & Sabhapati Co., Ltd.
93. Indian Cotton Co., Ltd.
94. Manmad Manufacturing Co. Ltd.
95. New Berar Co., Ltd.
96. New Moffusal Co., Ltd.
97. New Prince of Wales Co., Ltd.
98. Wallcot Co., Ltd.
99. Ahmedabad Dholka Railway Co., Ltd.
100. Ahmedabad Prantij Railway Co., Ltd.
101. Amritsar Pati Railway Co., Ltd.
102. Central Provinces Railway Co., Ltd.
103. Chaparmukh Shilghat Railway Co., Ltd.
103. Dhond Baramati Railway Co., Ltd.
104. Futwa Islampur Railway.
105. Gujrat Railway.
106. Hoshiarpur Doab Railway.
107. Khulna Bhagiratha Railway.
108. Larkhana Railway.
109. Mundrabhon Railway.
110. Maimansingh Railway.
111. Panchora Jamner Railway.
112. Sara Sirajing Railway.

113. Sialkot Naroval Railway.
114. Sindha Light Railway.
115. Tapti Valley Railway.
116. Upper Sindh Light Railway.
117. Allahabad Bank.
118. Alliance Bank.
119. Baroda Bank.
120. Imperial Bank.
121. Imperial Bank. (New shares.)
122. Bank of India.
123. Morvi Bank.
124. Central Bank.
125. Central Co-operative Bank.
126. Tata Bank. (In liquidation.)
127. Union Bank.
128. Chartered Bank.
129. Eastern Bank.
130. Hongkong and Shanghai Bank.
131. Mercantile Bank.
132. National Bank.

Government Securities.

133. 6½ per cent. Development Loan.
134. 6 per cent. Income-tax free Loan.
135. 5 per cent. Income-tax free Loan.
136. 5 per cent. War Loan.
137. 4 per cent. Conversion Loan.
138. 4 per cent. Terminal Loan.
139. 3½ per cent. Small Clean pieces.
140. 3 per cent. Small Clean pieces.
141. 4 per cent. Port Trust Bond.
142. 4 per cent. Port Trust Bond. Long dated.
143. 4 per cent. Municipal Bond.
144. 4 per cent. Municipal Bond. Short dated.
145. City Improvement Trust.
146. 5 per cent. Municipal Trust.
147. Sanitary.

APPENDIX 11.

List of Companies whose shares were cornered or in a state of corner.

List of Companies whose shares were cornered or in a cornered position.

Name of Company.	Date of Registration.	Date of last return.	Number of shares issued.		Face value of share.
					Rs.
New Great Eastern Spinning and Weaving Co. Ltd.	15th Dec. 1873	1st Mar. 1923	Pref.	4,000	200
			Ord.	7,500	200
Central India Spinning Weaving and Manufacturing Co., Ltd. (Nagpur).	15th Sept. 1874 N. B. Prior to were	8th Oct. 1923 Decr. 1922 these		4 ,875	100
			Whole shares.	3,000	500
			Half shares.	12,750	250
Manockji Petit Manufacturing Co., Ltd. ..	18th. May 1876	23rd Mar. 1923		3,605	1,000
				9	500
David Mills Co., Ltd.	2nd. Aug. 1886	19th Mar. 1923		1,800	500
				6,000	250
Swadeshi Mills Co., Ltd.	13th Sept. 1886	6th April 1923		4,000	500
Currimbhoy Mills Co., Ltd.	13th July 1888	17th July 1923		8,800	250
Standard Mills Co., Ltd.	25th Jan. 1891	19th Mar. 1923	Whole	2,031	500
			Quarter	1,476	125
Madhawji Dharamsey Manufacturing Co., Ltd.	19th Dec. 1892	31st July 1923	Ord.	15,000	100
			Pref.	2,700	250
Kohinoor Mills Co., Ltd.	6th July 1896	7th Mar. 1923		4,000	500
Fazulbhoy Mills, Ltd.	15th July 1905	17th July 1923		8,000	250
Finlay Mills, Ltd.	4th April 1906	8th Feb. 1923		8,000	250
Sir Shapurji Broacha Mills, Ltd.	14th Sept. 1916	30th July 1923	Ord.	49,995	100
			Pref.	24,931	100
Katni Cement and Industrial Co., Ltd. ..	13th. Aug. 1912	31st July 1923	Ord.	14,342	100
			Def.	1,560	40
			Pref.	5,000	100
			2nd Pref.	10,000	100

APPENDIX 12.

Table showing the increase in the value of cards from 1910 *to* 1923.

Year.	Entrance Fee.	
	Rs.	
1909	2,500	By resolution dated 17th March 1909 new cards were issued at Rs. 2,500.
1910	1,800	
1911	1,800	
1912	2,000	
1913	2,500	
1914	2,900	
1915	3,000	
1916	6,000	
1917	7,000	By resolution of 1917 75 new cards were issued at Rs. 7,000.
1918	15,000	
1919	22,000	
1920	from Rs.	30,000 to 48,000
1921	,, ,,	43,000 to 30,000
1922	,, ,,	30,000 to 19,500
1923	,, ,,	19,000 to 15,000

Note.—On 17th March 1909 a resolution was passed by the Board of Directors fixing the entrance at Rs. 2,500. In 1917, 75 members were admitted at an Entrance Fee of Rs. 7,000

APPENDIX 13.

Official List of Holidays.

Government Paper Settlement Days, 1923.

5th January,	*Friday.*
1st February,	*Thursday.*
1st March,	*Thursday.*
3rd April,	*Tuesday.*
1st May,	*Tuesday.*
1st June,	*Friday.*
2nd July,	*Monday.*

Government Paper Settlement Days, 1923.

1st August,	*Wednesday.*
31st August,	*Friday.*
1st October,	*Monday.*
1st November,	*Thursday.*
2nd December,	*Monday.*
4th January,	*Friday,* (1924).

Mahashivratri	13th February	Thuesday
* Holi	2nd March	Friday
Holi Padwa	3rd March	Saturday
Jamshedi Naoroz	21st March	Wednesday
Ramnavmi	26th March	Monday
*Mahavir Jayanti and Good Friday	30th March	Friday
*Easter Holidays and Chaitri Punam	31st March to 2nd. April	Sat. to Mon.
* 21st Day of Ramzan	Such day as may be fixed by the Board.	
* Adar Jassan	16th May	Wednesday
Ramzan-id	18th May and another day if fixed by the Board.	Friday
Empire Day	24th May	Thursday
Birthday of His Majesty The King Emperor.	Such day as may be fixed by the Governor-General in Council.	
Zorthost-No-Diso	17th June	Sunday
* Ashadi Ekadashi	24th July	Tuesday
Bakri-id	25th July	Wednesday
* Ashadi Chomasu (Swetamber)	26th July	Thursday 2 p.m.
* Ashadi Chomasu (Sthanak Vasi)	27th July	Friday 2 p.m.
* Kadmi Pateti	11th August	Saturday
Muharrum	23rd August and another day if fixed by the Board.	Thursday.
Cocoanut Day	26th August	Sunday
Gokul Ashtami	3rd September	Monday
Fourth Gatha	8th September	Saturday
Fifth Gatha and Parsi New Year's Day	9th and 10th September	Sun. and Mon.
* Shrri Mahavir Swami's Birthday Celebrations (Swetamber and Sthanak Vasi)	11th September	Tuesday
Ganesh Chaturthi and Jain-Samvatsari (Swetamber and Sthanak Vasi)	14th September	Friday
Khordad Sal	15th September	Saturday
* Amardad Sal	16th September	Sunday
* Farvardigan Jassan	28th September	Friday 2 p.m.
Dussera	19th October	Friday
Barawafat	23rd October	Tuesday
* Dhanteras	6th November	Tuesday
* Kali Chowdas	7th November	Wednesday
Divali and Hindu New Year	8th and 9th November	Tuhrs. & Friday
* Kartaki Poonam	23rd November	Friday
Christmas	24th December to 1st January, 1924.	Monday to next Tuesday (Both inclusive.)

Holidays marked thus* are not Bank Holidays but Association Holidays.

Sir Dinsha Petit Native Brokers,
Exchange Hall, Dalal Street, Fort,
Bombay, 1st January 1923.

RAJENDRA SOMNARAYAN,
Honourable Secretary and Treasurer.

APPENDIX 14.

Published Notices of Days of Settlement.

THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION.

Notice.

I hereby beg to notify that the following is the programme for 1923 settlement fixed by the Board :—

Date.	Day of the Week.	Matter.	Business Hours (S. T.)
		January,	
5th January 1923 ..	Friday ..	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the No. of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
6th January 1923 ..	Saturday ..	....	12 noon to 2 p.m.
8th January 1923 ..	Monday ..	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.
9th January 1923 ..	Tuesday ..	First day for delivering shares ..	12 noon to 2 p.m.
10th January 1923 ..	Wednesday ..	Buying-in and selling-out shares by the Board. Second day for deliverng shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
11th January 1923 ..	Thursday ..	Day for adjusting differences and comparing accounts. Third day for delivering shares.	Closed for forward business.
12th January 1923 ..	Friday ..	Last day to deliver shares before 3 p.m. to the Clearing House and day for comparing accounts.	Close for forward business.
13th January 1923 ..	Saturday ..	Day for making payment before 2 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Form No. 7 and 8) to the Clearing House before 3 p.m. No settlement for cash business.	Closed.
15th January 1923 ..	Monday ..	No settlement for Cash business ..	Closed.
16th January 1923 ..	Tuesday ..	Day for receiving shares from the Clearing House. Buying-in and selling-out shares.	12 noon to 3 p.m. or till the auction lasts.

Dalal, Street, Fort, Bombay, 13th December 1922.

		February.	
1st February 1923 ..	Thursday ..	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the No. of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
2nd February 1923 ..	Friday ..	....	12 noon to 2 p.m.
3rd February 1923 ..	Saturday ..	Day for submitting the clearance lists (Form No. 1) as also the delivery lists Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.
5th February 1923 ..	Monday ..	First day for delivering shares ..	12 noon to 2 p.m.
6th February 1923 ..	Tuesday ..	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
7th February 1923 ..	Wednesday ..	Day for adjusting differences and comparing accounts. Third day for delivering shares.	Closed for forward business.

Date.	Day of the Week.	Matter.	Business Hours (S. T.)
		February—contd.	
8th February 1923 ..	Thursday ..	Last day to deliver shares before 1 p.m. to the Clearing House and day for comparing accounts.	Closed for forward business.
9th February 1923 ..	Friday ..	Day for making payment before 3 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Form No. 7 and 8) to the Clearing House before 3 p.m. No settlement for cash business.	Closed.
10th February 1923 ..	Saturday ..	No settlement for Cash business ..	Closed.
12th February 1923 ..	Monday ..	Day for receiving shares from the Clearing House. Buying-in and selling-out shares.	12 noon to 3 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay, 8th January 1923.

Date.	Day of the Week.	Matter.	Business Hours (S. T.)
		March.	
1st March 1923 ..	Thursday ..	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the No. of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
2nd March 1923 ..	Friday ..	Holi and Holi Padwa Holidays.	
3rd March 1923 ..	Saturday ..		
5th March 1923 ..	Monday ..	....	12 noon to 2 p.m.
6th March 1923 ..	Tuesday ..	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.
7th March 1923 ..	Wednesday ..	First day for delivering shares ..	12 noon to 2 p.m.
8th March 1923 ..	Thursday ..	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
9th March 1923 ..	Friday ..	Day for adjusting differences and comparing accounts. Third day for delivering shares.	Closed for forward business.
10th March 1923 ..	Saturday ..	Last day to deliver shares before 1 p.m. to the Clearing House and day for comparing accounts.	Closed for forward business.
12th March 1923 ..	Monday ..	Day for making payment before 3 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Form No. 7 and 8) to the Clearing House before 3 p.m. No settlement for cash business.	Closed.
13th March 1923 ..	Tuesday ..	No settlement for Cash business ..	Closed.
14th March 1923 ..	Wednesday ..		
15th March 1923 ..	Thursday ..	Day for receiving shares from the Clearing House. Buying-in and selling-out shares	12 noon to 3 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay, 20th February 1923.

Date.	Day of the Week.	Matter.	Business Hours (S. T.)
		April.	
3rd April 1923 ..	Tuesday ..	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the No. of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
4th April 1923 ..	Wednesday ..	....	12 noon to 2 p.m.
5th April 1923 ..	Thursday ..	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.

Date.	Day of the Week.	Matter.	Business hours. (S. T.)
		April—contd.	
6th April 1923 ..	Friday ..	First day for delivering shares ..	12 noon to 2 p.m.
7th April 1923 ..	Saturday ..	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
9th April 1923 ..	Monday ..	Day for adjusting differences and comparing accounts. Last day to deliver shares before 1 p.m. to the Clearing House.	Closed for forward business.
10th April 1923 ..	Tuesday ..	Day for making payment before 3 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Form No. 7 and 8) to the Clearing House before 3 p.m. No settlement for cash business.	Closed.
11th April 1923 ..	Wednesday ..	No settlement for Cash business ..	Closed.
12th April 1923 ..	Thursday ..	Do. do. ..	Do.
13th April 1923 ..	Friday ..	Day for receiving shares from the Clearing House. Buying-in and selling-out shares.	12 noon to 3 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay, 7th March 1923.

		May.	
1st May 1923 ..	Tuesday ..	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the No. of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
2nd May 1923 ..	Wednesday ..	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.
3rd May 1923 ..	Thursday ..	First day for delivering shares ..	12 noon to 2 p.m.
4th May 1923 ..	Friday ..	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
5th May 1923 ..	Saturday ..	Day for adjusting differences and comparing accounts. Last day to deliver shares before 1 p.m. to the Clearing House.	Closed for forward business.
7th May 1923 ..	Monday ..	Day for making payment before 3 p.m. to the Claring House and day for issuing Claim Notes (Form No. 6) for differences and submittng balance sheets (Form No. 7 and 8) to the Clearing House before 3 p.m. No settlement fore ash business.	Closed.
8th May 1923 ..	Tuesday ..	21st day of Ramzan ..	Do.
9th May 1923 ..	Wednesday ..	No settlement for Cash business ..	Do.
10th May 1923 ..	Thursday ..	Day for receiving shares from the Clearing House. Buying-in and selling-out shares.	12 noon to 3 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay, 19th April 1923.

		June.	
1st June 1923 ..	Friday ..	Day for making contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the No. of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
2nd June 1923 ..	Saturday ..	Birth-day of His Majesty the King Emperor	Closed.
4th June 1923 ..	Monday ..	....	12 noon to 2 p.m.

Date.	Day of the Week.	Matter.	Business Hours (S.T.).
		June—contd.	
5th June 1923 ..	Tuesday ..	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.
6th June 1923 ..	Wednesday ..	First day for delivering shares ..	12 noon to 2 p.m.
7th June 1923 ..	Thursday ..	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
8th June 1923 ..	Friday ..	Day for adjusting differences and comparing accounts. Last day to deliver shares before 1 p.m. to the Clearing House.	Closed for forward business.
9th June 1923 ..	Saturday ..	Day for making payment before 3 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Forms Nos. 7 and 8) to the Clearing House before 3 p.m. No settlement for cash business.	Closed.
11th June 1923 ..	Monday ..	No settlement for Cash business ..	Closed.
12th June 1923 ..	Tuesday ..	Day for receiving shares from the Clearing House. Buying-in and selling-out shares.	12 noon to 2 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay, 1st May 1923.

Date.	Day of the Week.	Matter.	Business Hours (S.T.).
		July.	
2nd July 1923 ..	Monday ..	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the No. of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
3rd July 1923 ..	Tuesday ..	....	12 noon to 2 p.m.
4th July 1923 ..	Wednesday ..	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.
5th July 1923 ..	Thursday ..	First day for delivering shares ..	12 noon to 2 p.m.
6th July 1923 ..	Friday ..	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
7th July 1923 ..	Saturday	Day for adjusting differences and comparing accounts. Last day to deliver shares before 1 p.m. to the Clearing House.	Closed for forward business.
9th July 1923 ..	Monday ..	Day for making payment before 3 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Forms Nos. 7 and 8) to the Clearing House before 3 p.m. No settlement for cash business.	Closed.
10th July 1923 ..	Tuesday ..	No settlement for Cash business ..	Do.
11th July 1923 ..	Wednesday ..	Day for receiving shares from the Clearing House. Buying-in and selling-out shares.	12 noon to 2 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay, 13th June 1923.

Date.	Day of the Week.	Matter.	Business Hours (S.T.).
		August.	
1st August 1923 ..	Wednesday ..	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the No. of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
2nd August 1923 ..	Thursday ..	....	12 noon to 2 p.m.

Date.	Day of the Week.	Matter.	Business Hours (S.T.).
		August—contd.	
3rd August 1923 ..	Friday ..	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.
4th August 1923 ..	Saturday ..	First day for delivering shares ..	12 noon to 2 p.m.
6th August 1923 ..	Monday ..	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
7th August 1923 ..	Tuesday ..	Day for adjusting differences and comparing accounts. Last day to deliver shares before 1 p.m. to the Clearing House.	Closed for forward business.
8th August 1923 ..	Wednesday ..	Day for making payment before 3 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Forms Nos. 7 and 8) to the Clearing House before 3 p.m. No settlement for csah business.	Closed.
9th August 1923 ..	Thursday ..	No settlement for Cash business ..	Do.
10th August 1923 ..	Friday ..	Day for receiving shares from the Clearing House. Buying-in and selling-out shares.	12 noon to 3 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay, 4th July 1923.

		August—contd.	
31st August 1923 ..	Friday ..	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the No. of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
		September.	
1st September 1923 ..	Saturday ..	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.
4th September 1923 ..	Tuesday ..	First day for delivering shares ..	12 noon to 2 p.m.
5th September 1923 ..	Wednesday ..	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
6th September 1923 ..	Thursday ..	Day for adjusting differences and comparing accounts. Last day to deliver shares before 1 p.m. to the Clearing House.	Closed for forward business.
7th September 1923 ..	Friday ..	Day for making payment before 3 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Forms Nos. 7 and 8) to the Clearing House before 3 p.m. No settlement for cash business.	Closed.
12th September 1923 ..	Wednesday ..	Day for receiving shares and Payment from the Clearing House. Buying-in and selling-out shares.	12 noon to 3 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay, 8th August 1923.

		October.	
1st October 1923 ..	Monday ..	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the No. of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
2nd October 1923 ..	Tuesday ..	....	12 noon to 2 p.m.
3rd October 1923 ..	Wednesday ..	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.

Date.	Day of the week.	Matter.	Business hours (S.T.).
		October—contd.	
4th October 1923	Thursday	First day for delivering shares	12 noon to 2 p.m.
5th October 1923	Friday	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
6th October 1923	Saturday	Day for adjusting differences and comparing accounts. Last day to deliver shares before 1 p.m. to the Clearing House.	Closed for forward business.
8th October 1923	Monday	Day for making payment before 3 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Forms Nos. 7 and 8) to the Clearing House before 3 p.m. No settlement for cash business.	Closed.
9th October 1923	Tuesday	No settlement for cash business	Do.
10th October 1923	Wednesday	Day for receiving shares and payment from the Clearing House. Buying-in and selling-out shares.	12 noon to 3 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay, 5th September 1923.

Date.	Day of the week.	Matter.	Business hours (S.T.).
		November.	
13th November 1923	Tuesday	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the number of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
14th November 1923	Wednesday	....	12 noon to 2 p.m.
15th November 1923	Thursday	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.
16th November 1923	Friday	First day for delivering shares	12 noon to 2 p.m
17th November 1923	Saturday	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m or till the auction lasts.
19th November 1923	Monday	Day for adjusting differences and comparing accounts. Last day to deliver shares before 1 p.m. to the Clearing House.	Closed for forward business.
20th November 1923	Tuesday	Day for making payment before 3 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Forms Nos. 7 and 8) to the Clearing House before 3 p.m. No settlement for cash business.	Closed.
21st November 1923	Wednesday	No settlement for cash business	Do.
22nd November 1923	Thursday	Day for receiving shares and payment from the Clearing House. Buying-in and selling-out shares.	12 noon to 3 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay, 28th September 1923.

Date.	Day of the week.	Matter.	Business hours (S.T.).
		December.	
5th December 1923	Wednesday	Day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the number of shares outstanding to be taken delivery of. No settlement for cash business.	Closed for business.
6th December 1923	Thursday	Day for submitting the clearance lists (Form No. 1) as also the delivery lists (Forms Nos. 2 and 2A) to the Clearing House before 5 p.m.	12 noon to 2 p.m.
7th December 1923	Friday	First day for delivering shares	12 noon to 2 p.m.

Date.	Day of the week.	Matter.	Business hours (S.T.).
		December—contd.	
8th December 1923 ..	Saturday ..	Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (Pucca Havalas) by the Board.	12 noon to 2 p.m. or till the auction lasts.
10th December 1923 ..	Monday ..	Day for adjusting differences and comparing accounts. Last day to deliver shares before 1 p.m. to the Clearing House.	Closed for forward business.
11th December 1923 ..	Tuesday ..	Day for making payment before 3 p.m. to the Clearing House and day for issuing Claim Notes (Form No. 6) for differences and submitting balance sheets (Forms Nos. 7 and 8) to the Clearing House before 3 p.m. No settlement for cash business.	Closed.
12th December 1923 ..	Wednesday ..	No settlement for cash business ..	Do.
13th December 1923 ..	Thursday ..	Day for receiving shares and payment from the Clearing House. Buying-in and selling-out shares.	12 noon to 2 p.m. or till the auction lasts.

Dalal Street, Fort, Bombay,
15th November 1923.

RAJENDRA SOMNARAYAN,
Honorary Secretary and Treasurer.

APPENDIX 15.

Extract from the evidence of Mr. Jamnadas Morarji before the Stock Exchange Enquiry Committee.

Mr. Pherozeshah M. Dalal.—We will come to the question of settlements. Your opinion is there are too many settlement days. In your opinion, how many settlement days will suffice ?—The *first day* is the day for comparing contracts and for issuing memorandum slips by the buying brokers to the selling brokers showing the number of shares outstanding to be taken delivery of. The market is closed for that day. Only slips have to be passed; the market should be open for half-day, *i.e.*, 2 hours. The *second day* is the day for submitting the clearance lists as also the delivery lists to the Clearing House. It is closed for half-day only. That is all right. The *third day* is the first day for delivering shares. The market is open for two hours. That is all right. The clerks have to prepare the accounts of their constituents, to deliver shares and to bring shares from the constituents. The *fourth day* is allotted for "Buying-in and selling-out shares by the Board. Second day for delivering shares. Day for declaring making-up prices (pucca havalas) by the Board". This day is open for two hours. This is all right. The *fifth day* is the day for "Adjusting differences and comparing accounts. Last day to deliver shares before 1 p.m. to the Clearing House". The market is closed for this day. The *sixth day* is the day for "Making payment to the Clearing House and day for issuing claim notes for differences and submitting balance sheets". The market is now closed for this day. On the seventh day also it is closed. My idea is that the business done on the fourth, fifth, sixth and seventh days should be done on the fifth. On the fourth day pucca havalas will be given by the Board, say at 2 p.m. Then the brokers' clerks must prepare their differences and on the following day they must pass all their chits and the valan should be passed on that day. On the fifth day it must be closed. I admit that in case of big failures, it will be difficult to do all this on that day, but in such a case they can close the market on the sixth day also. But ordinarily it should be enough to close the market on the fifth. Of course there will be more work for the clerks, but in order to facilitate the work of the market, they should not grudge this extra work. So, sixth and seventh day must be working days. On the *eighth day* "Day for receiving shares and payment from the Clearing House; buying-in and selling-out shares", the market is closed for half a day, and I agree to this. So, in the result, out of the eight days, first day will be a half-day, second, half-day; third, half-day; fourth, half-day; fifth, closed; sixth and seventh open; and eighth, half-day. The market will be fully closed only for one day. I also find that the market is closed for cash business on some of these days. Cash business must go on everyday, even on the closed day. If the Clearing House system is properly worked I do not think it is necessary to close for more days. This Clearing House system was introduced for the purpose of reducing the number of closing days. In the beginning the ninth of every month was the day for payment and every twelfth was settlement day. I set out to find how we could make payment and settlement the same day, and I suggested that payment day and settlement day should be the same. Many brokers and clients were opposed to the scheme, but afterwards they agreed and the scheme was passed.

Sir Fazulbhoy Currimbhoy.—One member told us that he wanted these three or four days in order to make arrangements with banks for financing the shares bought. It was not with that idea that the present practice was introduced, although they worked it like that later.

Mr. Pherozeshah M. Dalal.—Mr. Shroff told us that after making up the price they must keep the market closed, or otherwise there may be fluctuations in the market, and the liability of the members may increase. Do you agree ?—Under my present scheme it will not happen. If the Clearing House made some arrangement by which cheques will be tendered before 3 or 3-30 p.m. on the settlement day, if a broker failed to pay his money to the Clearing House on the next opening day, *i.e.*, the following day, our rule is that transactions may be closed at the defaulter's risk.

So, instead of four days closed and four days half-day, you suggest five days half-day and one-day closed ? Yes.

Mr. Pherozeshah M. Dalal.—Mr. Shroff said that 14 extra religious holidays are necessary. I understand that on the Stock Exchange there are only three important religious communities, the Hindus, Parsis and Mahomedans, and the other communities are only a small minority. Do you think we can curtail these 14 holidays into 6 or 7 by allotting only two holidays for the major groups and one holiday for the minor groups ?—Fourteen holidays in our Exchange is not too much if we curtail these settlement days. In Calcutta they have Puja days and Christmas holidays. I think these 14 days should be allowed.

APPENDIX 16.

Letter from the Association withdrawing incorrect statements reflecting on Messrs. Merwanji and Sons.

THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION.

Sir Dinshaw Petit Native Brokers' Exchange Hall,
Dalal Street, Fort, Post Box No. 533,
Bombay, 3rd January 1924.

G. DAVIS, Esq., I.C.S.,
Secretary,
Stock Exchange Enquiry Committee,
Secretariat, Bombay.

Sir,

As authorised by my Association I have to request you to expunge from the printed representation made by them on 21st November 1923 to the Stock Exchange Enquiry Committee the following portion of the statement from the first paragraph on page 5, as they are desirous to state that no reflection of any kind was intended to be made on anybody therein.

The portion to be expunged is :—

> " At this time the operator of the corner sold stock of the said Company for the following settlement only through brokers, who dealt chiefly with brokers particularly Messrs. Merwanji and Sons and the late Mr. Parbhuds Keevandas. The object was that these brokers, who were sound parties and well known to Banks, could easily induce the Banks on the strength of their own contracts for forward sales to advance loan to the operator on the security of these shares. Messrs. Merwanji and Sons, who were not doing business directly in our bazar, employed our members, Messrs. Morarji Ardeshir and Narandas Govindji, to effect such sales on the Exchange. Particulars as to how this game was played to finance the shares without a margin can be obtained from Mr. Pherozeshah Merwanji Dalal who is a member in the firm of Messrs. Merwanji and Sons."

I have the honour to be,
Sir,
Your most obedient servant,
A. H. MADAN,
Acting Secretary.

APPENDIX 17.

List of Witnesses examined by the Committee.

Tuesday, 6th November 1923—3 p.m.

Present	Sir Wilfrid Atlay (Chairman). Sir Fazulbhoy Currimbhoy. Mr. R. Lindsay. Captain E. V. Sassoon. Mr. Bhulabhai J. Desai. Mr. Pherozeshah M. Dalal. Mr. A. F. L. Green (Technical Adviser). Mr. G. Davis, I.C.S. (Secretary).
Business	Invitations.

Wednesday, 21st November 1923—3 p.m.

Present	Sir Wilfrid Atlay (Chairman). Sir Purshotamdas Thakurdas. Mr. R. Lindsay. Captain E. V. Sassoon. Mr. B. J. Desai. Mr. Pherozeshah M. Dalal. Mr. A. F. L. Green (Technical Adviser). Mr. G. Davis, I.C.S. (Secretary). Mr. R. F. Wishart (Assistant Secretary).
Witnesses ..	Mr. K. R. P. Shroff. Mr. Kothari of Madras Stock Exchange.

Thursday, 22nd November 1923—3 p.m.

Present ..	Sir Wilfrid Atlay (Chairman). Sir Purshotamdas Thakurdas. Mr. R. Lindsay. Captain E. V. Sassoon. Mr. Pherozeshah M. Dalal. Mr. A. F. L. Green (Technical Adviser). Mr. G. Davis, I.C.S. (Secretary). Mr. R. F. Wishart (Assistant Secretary).
Witness ..	Mr. B. F. Madon.

Friday, 23rd November 1923—11-30 a.m. and 2-30 p.m.

Present ..	Sir Wilfrid Atlay (Chairman). Sir Purshotamdas Thakurdas. Mr. R. Lindsay. Captain E. V. Sassoon. Mr. Bhulabhai J. Desai. Mr. Pherozeshah M. Dalal. Mr. A. F. L. Green (Technical Adviser). Mr. G. Davis, I.C.S. (Secretary). Mr. R. F. Wishart (Assistant Secretary).
Witness ..	Mr. K. R. P. Shroff.

Saturday, 24th November 1923—2-30 p.m.

Present ..	Sir Wilfrid Atlay (Chairman). Sir Purshotamdas Thakurdas. Mr. R. Lindsay. Captain E. V. Sassoon. Mr. Pherozeshah M. Dalal. Mr. Bhulabhai J. Desai. Mr. A. F. L. Green (Technical Adviser). Mr. G. Davis, I.C.S. (Secretary). Mr. R. F. Wishart (Assistant Secretary).
Witnesses ..	Mr. F. C. Annesley and Mr. F. Nelson, Bombay Chamber of Commerce representatives.

Monday, 26th November 1923, 11-30 a.m.

Present
Sir Wilfrid Atlay (Chairman).
Mr. R. Lindsay.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness . Mr. Meyer Nissim.

3 p.m.

Present . Sir Wilfrid Atlay (Chairman).
Sir Purshotamdas Thakurdas.
Captain E. V. Sassoon.
Mr. R. Lindsay.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. Turle of Calcutta Stock Exchange.

Tuesday, 27th November 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Purshotamdas Thakurdas.
Mr. R. Lindsay.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. F. S. Lund.

3 p.m.

Witness .. Mr. C. N. Wadia.

Wednesday, 28th November 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Mr. R. Lindsay.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. R. E. Lewis.

Thursday, 29th November 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Mr. R. Lindsay.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. K. R. P. Shroff.

3 p.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Captain E. V. Sassoon.
Mr. Bhulabhai J. Desai.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witnesses .. Mr. A. G. Gray and Mr. A. C. Clarke.

Friday, 30th November 1923, 2-30 p.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Mr. R. Lindsay.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. H. C. B. Mitchell.

Monday, 3rd December 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay (Chairman).
Captain E. V. Sassoon.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. Amratlal Kalidas.

2-30 p.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. E. F. Groombridge.

Tuesday, 4th December 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Mr. R. Lindsay.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. M. A. Havelivala.

2-30 p.m.

Witness .. Mr. R. R. Nabar.

3-30 p.m.

Witness .. Mr. Ardeshir R. Subedar.

Wednesday, 5th December 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Mr. R. Lindsay.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Sir Dinshaw E. Wacha.

2-30 p.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Mr. R. Lindsay.
Captain E. V. Sassoon.
Mr. Bhulabhai J. Desai.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. Munmohundass Ramji of Bombay Piece Goods Association.

3-30 p.m.

Witness .. Mr. Erachshaw D. Wadia.

Thursday, 6th December 1923, 2-30 p.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Mr. R. Lindsay.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. Mafatlal Gagalbhai.

Saturday, 8th December 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Mr. R. Lindsay.
Captain E. V. Sassoon.
Mr. Bhulabhai J. Desai.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. K. R. P. Shroff.

2-30 p.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.

Mr. R. Lindsay.
Captain E. V. Sassoon.
Mr. Bhulabhai J. Desai.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. K. R. P. Shroff.

Monday, 10th December 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Mr. R. Lindsay.
Captain E. V. Sassoon.
Mr. Bhulabhai J. Desai.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. Kikabhai Premchand.

2-30 p.m.

Witness .. Mr. F. F. Stileman of Bombay Millowners' Association.

3-30 p.m.

Witness .. Mr. Vasanji Mulji.

Tuesday, 11th December 1923, 2-30 p.m.

Present .. Sir Wilfrid Atlay was absent owing to illness.
Mr. R. Lindsay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. Jamnadas Morarji.

Wednesday, 12th December 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay was absent owing to illness.
Mr. R. Lindsay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Captain E. V. Sassoon.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. Jagjivan Ujamsay.

2-30 p.m.

Present .. Sir Wilfrid Atlay was absent owing to illness.
Mr. R. Lindsay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.

Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. Manu Subedar of Indian Merchants' Chamber.

Thursday, 13th December 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay was absent owing to illness.
Mr. R. Lindsay (Chairman).
Sir Fazulbhoy Currimbhoy.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. Jehangir B. Petit.

2-30 p.m.

Present .. Sir Wilfrid Atlay was absent owing to illness.
Mr. R. Lindsay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Captain E. V. Sassoon.
Mr. Bhulabhai J. Desai.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. Naoroji M. Dumasia.

3-30 p.m.

Witness .. Mr. S. H. Batliwala.

Friday, 14th December 1923, 11-30 a.m.

Present .. Sir Wilfrid Atlay was absent owing to illness.
Mr. R. Lindsay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.
Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. A. H. Madan.

2-30 p.m.

Witness .. Mr. G. Findlay Shirras.

3-30 p.m.

Witness .. Rai Saheb Sangidass Jessram.

Saturday, 15th December 1923, 2-30 p.m.

Present .. Sir Wilfrid Atlay was absent owing to illness.
Mr. R. Lindsay (Chairman).
Sir Fazulbhoy Currimbhoy.
Sir Purshotamdas Thakurdas.
Captain E. V. Sassoon.
Mr. Pherozeshah M. Dalal.

Mr. A. F. L. Green (Technical Adviser).
Mr. G. Davis, I.C.S. (Secretary).
Mr. R. F. Wishart (Assistant Secretary).

Witness .. Mr. B. K. Agarwala.

3 p.m.

Witness .. Mr. Keshani.

3-30 p.m.

Witness .. Mr. W. T. Halai.

4 p.m.

Witness .. Mr. D. D. Kanga.

4-30 p.m.

Witness .. Mr. A. C. Amin.

Summary of attendance at 32 meetings.

Sir Wilfrid Atlay (Chairman)	24
Sir Purshotamdas Thakurdas	27
Sir Fazulbhoy Currimbhoy	23
Mr. R. Lindsay	29
Captain E. V. Sassoon	29
Mr. Bhulabhai J. Desai	9
Mr. Pherozeshah M. Dalal	29
Mr. A. F. L. Green (Technical Adviser)	32
Mr. G. Davis, I.C.S. (Secretary)..	32
Mr. R. F. Wishart (Assistant Secretary)	31

APPENDIX 18.

Rules and Regulations recommended to the Association for Adoption.

DEFINITIONS.

In these rules unless there is something in the subject or context inconsistent therewith :—

The Exchange means the City of Bombay Stock Exchange.

Member means a member of the Exchange.

Committee means the Committee of Management or the Exchange for the time being.

The Secretary means the person for the time being performing the duties of Honorary Secretary or paid Secretary or paid Assistant Secretary of the Exchange.

The Office means the Secretary's office for the time being of the Exchange.

In Writing and Written include printing, lithography, and other modes of representing or reproducing words in a visible form.

Words importing the singular Number only include the plural number and *vice-versa.*

THE RULES AND REGULATIONS OF THE BOMBAY STOCK EXCHANGE.

1. THE ASSOCIATION hitherto known as the Native Share and Stock Brokers' Association shall hereafter be styled and known as the city of Bombay Stock Exchange.

Constitution of the Exchange.

2. The members whose names are given in the list annexed hereto and marked A and such other persons as shall hereafter be appointed and admitted members in the manner hereinafter mentioned shall henceforth constitute the Bombay Stock Exchange.

The Exchange shall by resolution fix from time to time the maximum number of members of the Exchange.

Objects of the Exchange.

3. The said Exchange is established to support and protect the character and status of brokers and to further the interests of both brokers and the public, dealing in Bombay in shares, stock, and other like securities and exchange, to promote honourable practice, to discourage and to suppress malpractices, to settle disputes amongst brokers, to decide all questions of usage or courtesy in conducting brokerage business.

To erect, construct, extend and maintain at Bombay a suitable building, to be used as a Brokers' Hall and for such other purposes of the Exchange as may be determined upon, such building to be called " Sir Dinshaw Petit Native Brokers' Exchange Hall " and to erect, construct and maintain such other building or buildings as may be considered necessary or desirable for the purposes of the Exchange or the use of the members thereof.

To borrow with the sanction of the members of the Exchange given at a Special General Meeting convened for the purpose, any monies required for the purposes of the Exchange upon such terms as may be determined with or without securities.

To purchase or otherwise acquire, with the sanction of the members of the Exchange given at a Special General Meeting convened for the purpose, any immoveable property in Bombay and any rights or privileges necessary or convenient for the purposes of the Exchange and in particular any land, buildings or easements.

To take on lease any property and any rights or privileges necessary or convenient for the purposes of the Exchange.

To invest the monies of the Exchange not immediately required upon such securities and in such investment as may from time to time be determined upon.

To sell, develop, lease, mortgage, dispose of, or otherwise deal with, with the sanction of the members of the Exchange given at a Meeting specially convened for the purpose all or any part of the immoveable properties of the Exchange.

To do all such other things as are incidental or conducive to the attainment of the above objects.

Alteration of Rules.

4. No existing rules shall be altered or varied except by a resolution passed by a majority of three-fourths of the members present at an extraordinary general meeting of the Exchange at which not less than 109 members were present and confirmed at another Extraordinary meeting of the Exchange held not less than seven days and not more than fourteen days from the date of the first meeting at which not less than 75 members were present.

Who may be Members.

5. Any person who is a native of India or who is a British subject and has resided in the Bombay Presidency for at least ten years prior to his application for membership or who is a British subject and whose father has resided in the Bombay Presidency for at least ten years prior to his application for membership may be admitted as a member of the Exchange.

6. No person who has been adjudged or has become bankrupt or insolvent and has not obtained his final discharge from the Court shall be eligible for membership.

7. No person who has not attained majority according to the law to which he is subject shall be eligible for membership.

8. No person who has compounded with his creditors shall be eligible for membership (unless he shall have paid 16 annas in the rupee).

9. No person shall be eligible for memberhsip if he be a member of or subscriber to or a shareholder or debenture holder in any other Institution, Association, Company or Corporation in Bombay where dealings in stocks or shares are carried on.

If any member of the Exchange subsequently to his admission as such shall become a member of or subscriber to or a shareholder or debenture holder in any such Institution, Association, Company or Corporation as aforesaid, he shall thereafter be liable to be expelled from the Exchange by resolution of the Committee of Management.

10. A candidate for admission must be recommended by two members of not less than five years standing.

Application for Admission.

11. Every application for admission to membership shall be in writing and shall be in the form given below or in such other form as the Committee of Management of the Exchange shall from time to time prescribe and shall be signed by the candidate.

12. Every applicant for admission, except candidates who are applying for cards in the hands of the Committee of Management, shall be required to obtain the nomination of a member resigining his membership under Rule 30 or 31 or of the executors or administrators of a deceased member.

13. Notice of every application with the names of the recommenders shall be posted in the Exchange on the notice board for at least 15 days previous to election. The notice shall state on what date it is posted.

14. If any member of the Exchange has any objection to the admission of a candidate he shall communicate the ground of his objections to the Committee of Management by letter within 15 days of the date of posting of the notice of the application.

15. After the expiration of the period hereinbefore prescribed for communicating objections to any application for admission, the same shall be placed before the Committee of Management with all objections received.

16. The applicant for admission, together with his recommenders, shall attend the meeting of the Committee to answer any questions that may be put to them.

17. The election of new members shall be by ballot and must be carried by a majority of at least three-fourths in a meeting of the Committee of Management at which at least eight members are present.

18. If an applicant is elected a member, intimation of the election shall be sent to him in the form following or in such other form as the Committee of Management may from time to time prescribe.

Form of Application for admission.

To

The Honorary Secretary,
The Bombay Stock Exchange, Bombay.

Sir,

Please acquaint the Committee of Management that I am desirous of being admitted a member of the Stock Exchange upon the terms of and under and subject in all respects to the Rules and Regulations of the Bombay Stock Exchange which now are, or hereafter may be for the time being in force. I have read the rules and Regulations of the Stock Exchange.

I solemnly declare that

(*a*) I am a native of India

or

I am a British subject and $\frac{\text{I have been}}{\text{my father has been}}$ a resident of Bombay Presidency for the last ten years.

(*b*) I am neither a member of, nor subscriber to nor share-holder or Debenture holder in any other Institution, Association, Company or Corporation in Bombay in which dealings in stocks or shares are carried on.

(*c*) I do declare that if admitted a member of the Stock Exchange, I will not be interested, directly or indirectly, in any other institution dealing in stocks or shares during the time I remain a member thereof, under penalty of immediate expulsion.

Signature.

Full name.

Address.

Occupation.

Reasons for giving up the present business.

'We recommend Mr. as fit person to be admitted a member of the Stock Exchange.

Signature of two members.

Form of first letter to be sent to new member on election.

Sir,

I am directed to inform you that you are elected a member of the Stock Exchange upon the terms of and under and subject in all respects to the Rules and Regulations of the Stock Exchange which now are, or hereafter may for the time being be in force.

Upon your paying the price of the card of Rs. and annual subscription of Rs. within one month of the receipt of this letter further notice will be sent to you giving you the date from which you can exercise the privileges of membership.

Yours faithfully,

Secretary to the Committee of Management.

Power to Reject Application.

19. The Committee of Management may at their discretion reject any application without assigning any reason.

Annual Subscription.

20. Every member shall pay an annual subscription of five rupees or such amount as may from time to time be fixed by the Exchange. Such subscription shall be payable on the first day of January in each year in advance.

21. Every newly elected member shall immediately on receipt of intimation of election pay the annual subscription for the current year, together with, in the case of a candidate who has purchased a card from the Committee of Management, the amount agreed upon for such card.

22. Upon payment of the price of the card and annual subscription, the Secretary shall send to the newly admitted member a further letter fixing the date from which the member may exercise the privileges of membership, and a card of membership and the notice of the same shall be posted on the Notice Board of the Exchange. The letter shall be in the form following or such other form as the Committee may from time to time prescribe and the card shall be in such form as the Committee of Management may from time to time prescribe.

Form of second letter to be sent to new members on admission.

Sir,

Referring to my previous notice of the

I am directed to inform you that, the provisions of the Rules relating to the Admission of Members having been complied with, you are entitled to exercise from this day the privilege of Membership of the Stock Exchange. A card of membership is sent herewith.

Yours faithfully,

Secretary to the Committee of Management.

Price of card and subscription to be paid before privileges exercised.

23. An elected admitted member shall not be entitled to exercise any of the privileges of a member unless he shall have paid the price of the card and annual subscription nor before the date intimated in that behalf in the notice, sent pursuant to Regulation 22 and if a newly elected member fails to pay the price of card and annual subscription within one month his election shall become void and inoperative and he shall be deemed never to have been elected a member.

Power to increase fee and subscription.

24. The Exchange may from time to time in general meeting increase or reduce the annual subscription and fix the minimum price of cards at their disposal.

Power to withdraw from Association.

25. Any member may withdraw from the Exchange by giving two calendar months' notice in writing to the Secretary of his intention so to do, and upon the expiration of the notice, he shall cease to be a member.

Arrears to be paid by withdrawing members.

26. Any person who shall by any means cease to be a member shall nevertheless remain liable for and shall pay to the Exchange all monies which at the time of his ceasing to be a member may be due from him to the Exchange.

Powers as regards members in arrears.

27. If any member shall fail to pay the annual subscription or any other money, due from him to the Exchange for two months after the same has become due the Committee of Management may by notice in writing request him to pay the same. The notice shall appoint a day and place of payment. If the requisitions of such notice are not complied with the Committee of Management may by notice on the Notice Committee of the Exchange suspend the privilege of such member until said dues are paid and the member so suspended shall not be entitled to act as a member until the notice of suspension is revoked by further notice put up on the Notice Board of the Exchange.

If the said dues are not paid by the suspended member within one year after his suspension another written notice requiring such member to pay the moneys due within two months of the service of the notice shall be served to him. If the requisitions of such notice are not complied with, the Committee of Management may by resolution passed by a majority of three-fourths of the members of the Committee for the time being direct the name of such member to be removed from the list of members of the Exchange and thereupon such member shall cease to be a member and shall be deemed to have been expelled, notice of such resolution shall forthwith be put on the Notice Board of the Exchange.

The Committee of Management shall be at liberty on another application of the member whose name is so removed and on proper cause being shown to its satisfaction to rescind such resolution by like majority.

Firm as a member of the Exchange.

28. Any two or more members of the Exchange may with the previous sanction of the Committee of Management continue to carry on business in partnership in a firm name to be previously submitted to the Committee.

The name of the firm and the names of the members constituting the same shall be registered with the Secretary in writing signed by all the members of the firm and every change in the constitution of the firm shall be notified in writing to the Secretary.

When business is done in the name of a firm, all members of the firm shall be liable jointly and severally in respect of all dealings of the firm.

Every member of the Exchange whose name is registered as a member of firm shall continue liable as such until his name is removed in due course from the Register.

If any firm commits any act which if done by an individual member of the Exchange would render such member liable to expulsion all members of the Exchange who are partners in such firm shall be liable to be expelled.

The Committee of Management may from time to time prescribe forms to be used for application for leave to carry on business in firm name and for notices of change in the constitution of the firm.

Rights of Members and their sons.

29. The seat or card of a member and the rights and privileges attached to membership including the rights and privileges of conducting business in the Exchange and the rights to the use of or claims upon or interest in any property of the Exchange shall be a purely personal privilege of the member attached to his membership and shall not be part of the property, estate and effects of the member and shall not pass from the member to any other person or persons by act of parties or by operation of law.

30. If any member desires that he should be allowed to resign his membership and his son or brother may be admitted a member in his place, the Committee of Management may on the application of such member and of the son or brother proposed to be admitted accept the resignation of the member and elect and admit such son or brother a member without payment of any price of card and confer on such son or brother the card or seat of the resigning member provided such son or brother is otherwise qualified to be admitted a member.

31. If a member of not less than 10 years standing, who is in the opinion of the Committee of Management unable to carry on active business wishes to resign and to have his nominee admitted in his place as a member and applies in writing to the Committee in that behalf, the Committee may allow such member to resign his membership and in their discretion admit the person nominated by him as a member in his place without payment of any price of card, provided the proposed new member is qualified to be elected a member and is approved of by the Committee.

32. On the death of a member his membership and all rights and privileges attached thereto shall, save as hereinafter otherwise provided, cease and determine.

33. If after the death of a member, his heirs, executors or administrators apply to the Committee of Management to elect and admit one of them or any other person nominated by them as a member in place of the deceased, the Committee may elect and admit such person as a member without payment of any price of card and confer upon such person the card or seat of the deceased member provided the proposed new member is otherwise qualified to be elected a member.

Cards not to be assigned.

34. No member shall be entitled to assign or transfer or pledge, hypothecate or charge or shall assign, transfer, pledge, hypothecate or charge his seat or card or membership or any rights and privileges attached thereto and no such attempted transfer, assignment, pledge, hypothe-

cation or charge shall be effective as regards the Exchange for any purpose, nor shall any right or interest be recognised by the Exchange in a card or membership, save the absolute interest therein of a member. If any member purports to act in violation of the provisions of this clause he shall be liable to be expelled by resolution of the Committee of Management.

Authorised Clerks.

35. Each member of the exchange may employ three authorised clerks who are not members of the Exchange. Any of such authorised clerks may conclude bargains and sign contract notes on behalf of his principal. Provided that when the member is a partnership firm such partnership may employ five authorised clerks. No member shall employ more authorised clerks than is authorised above.

36. A member shall be liable for all bargains made on his behalf by any authorised clerk employed by him and shall fulfil such bargains according to the rules and usages of the Exchange in the same manner as if the bargains had been made personally by such member. The name of each authorised clerk employed by a member shall be furnished by the member to the Secretary who shall keep a register thereof. If a member determines the employment of a registered authorised clerk he shall forthwith give notice of the same to the Secretary and the Secretary shall make a note of the same in the Register and notify on Notice Board. The responsibility of the member for the acts of the authorised clerk shall continue until one day after the notice of the determination of the employment of the clerk is received by the Secretary.

37. Admission of authorised clerks shall be only during the good behaviour of such clerks. The Committee reserve the absolute right to decline to admit any clerk whose name has been proposed by a member, or at any time to suspend or terminate such privilege of admission as regards any authorised clerk.

38. An expelled member shall not be admitted as a clerk to any member either as an authorised clerk or otherwise.

39. A member may by writing registered with the Secretary of the Exchange authorise in addition to the number of authorised clerks allowed under Rule 35 any one person at a time, being his son, brother or nephew to act for him on the Exchange. The person so authorised shall be in the same position as an authorised clerk and the above rules as to authorised clerks shall apply to the person so authorised.

Annual General Meeting of the Members.

40. In the month of March in each year or as soon thereafter as may be practicable but in no case later than the month of May the Committee shall convene a meeting of the Members of the Exchange to be called the annual general meeting of the said Association and shall submit to such meeting the annual report of the proceedings of the Exchange and also the Treasurer's account of the previous year together with the auditor's report thereon.

Annual General or Special General Meeting how to be convened.

41. The Annual General Meeting of the Exchange shall be convened by advertisement to be inserted in at least one English and one Gujarati Daily Newspaper published in Bombay at least three days before the time appointed for such meeting.

42. The Committee of Management may and they shall on the requisition of seventy-five or more members of the Exchange convene a special meeting of the Exchange also by advertisement to be given in manner provided above for annual General Meetings. Such requisition shall state the object of the meeting to which the discussion shall be strictly confined.

43. If the Committee do not call such special meeting within 15 days of the receipt of the requisition, the Secretary or, in case of his refusal, any five of the petitioners may convene such special meeting by advertisement to be given in manner provided above for Annual General Meeting.

Business to be transacted at annual General Meeting.

44. No business other than that referred to in Rule 40 above and the appointment of Auditors shall be brought forward or transacted at any Annual General Meeting unless the Advertisement convening such Meeting shall specify what other business is intended to be brought forward.

Proceedings of general meetings.

45. (*a*) No person other than a member of the Exchange except the Solicitor of the Exchange shall be entitled to be present at a general meeting. Each member before taking his seat shall sign his name in the book provided for that purpose.

(*b*) The quorum for a general meeting shall be at least 50 members personally present.

(*c*) No business shall be transacted at any general meeting unless the quorum requisite shall be present at the commencement of the business.

(*d*) The President of the Exchange shall be entitled to take the chair at every general meeting. If there be no president, or if at any meeting the President or Vice-President shall not be present within fifteen minutes after the time appointed for holding such meeting. the members present shall choose another member of the Committee of Management as Chairman, and if no member of the Committee be present or if all the members of the Committee present decline to take the chair, then the members present shall choose one of their members to be chairman.

(*e*) If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon such requisition as is referred to in Rule 42, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week at the same time and place and if at such adjourned meeting a quorum is not present, those members who are present shall be a quorum and may transact the business for which the meeting was called.

(*f*) Every question submitted to a meeting shall be decided by a majority of the votes of the members present. Votes shall be taken by a show of hands unless a ballot be demanded by at least five of the members present. In the case of an equality of votes the chairman shall have a casting vote in addition to the vote to which he may be entitled as a member.

(*g*) At any general meeting a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority and an entry to that effect in the book of proceedings of the Exchange shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

(*h*) The chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting.

(*i*) If a poll is duly demanded, it shall be taken at such time and place, and either immediately or after an interval or adjournment, and either by open voting or by ballot, as the Chairman directs, and the result of the poll shall be deemed the resolution of the meeting at which the poll is demanded.

(*j*) The Chairman of a general meeting may, with the consent of the meeting, adjourn the same from time to time, and from place to place; but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(*k*) Every member present is person at a meeting shall have one vote. No voting by proxy or by power of Attorney shall be allowed.

(*l*) No member shall be entitled to be present or to vote on any question at any general meeting if he shall have been declared a defaulter on the Exchange. A member shall not be disentitled to vote because money is due and payable by him to the Exchange in respect of subscription or otherwise.

Committee of Management.

46. Save as otherwise expressly provided in these presents the affairs of the Exchange shall be managed and controlled by a Governing Body to be styled the Committee of Management composed of 16 members of the Exchange, being Natives of the Bombay Presidency. The Committee of Management shall be elected by ballot every year at a general meeting of the Exchange to be held in December of each year and the same meeting shall also nominate one out of the 16 members so elected as member of the Committee to be the President of the Exchange who shall also be the President of the Committee of Management. The meeting shall also elect a member of the Committee to act as Vice-President. The Committee of Management so elected shall hold office for one year from the 1st January next following the date of their election.

47. The President shall preside at all Meetings of the Exchange and all Meetings of the Exchange and all Meetings of the Committee of Management and also at all Meetings of any Committee of the Exchange of which he may be a member and shall have a Casting vote in addition to his vote as a member.

48. Any occasional vacancy in the said Committee of Management shall be filled up by a ballot of Members at a General Meeting of the Exchange to be held on a day to be fixed by the Committee. The surviving or continuing Members on the Committee, notwithstanding any vacancy in their number, may act until the same shall be filled up.

If the office of President become vacant the Committee shall forthwith call a General Meeting of the Members of the Exchange to fill the vacancy.

49. All the 16 members of the Committee of Management for the time being shall retire on the 31st December in each year and all members retiring shall be eligible for re-election.

Fifteen business days' notice previous to any ballot, of intention to propose any person eligible for election to the Committee of Management must be given to the Secretary in writing and signed by two members.

50. The quorum of the said Committee shall be six members personally present.

51. If any member of the Committee of Management shall be absent from Meetings of the Committee for a continuous period of three months without leave of the Committee, the Committee may declare the seat of such member in the Committee vacated and may proceed to fill the vacancy.

Qualifications of Members of the Committee of Management.

52. No member shall elected to the Committee of Management who is not a native of the Bombay Presidency and has not been for at least five years, immediately preceding the day of election a member of the Exchange.

53. No member who has failed at any time to meet his liabilities in ordinary course on or outside the Exchange shall be eligible to be elected a member of the Committee of Management. No member who has on any occasion compounded with his creditors on or outside the Exchange shall be eligible to be a member of the Committee of Management.

54. Not more than one member of a firm which carries on business in firm name on the Exchange shall be a Member of the Committee of Management at the same time.

Resolution for Expulsion of Members of the Committee of Management.

55. The Committee of Management may expel any of their own members from the Committee by resolution passed by three-fourths majority of the Committee at a meeting specially summoned for the purpose, at which not less than 12 members of the Committee were present.

Honorary Secretary and Treasurer.

56. The Committee of Management shall immediately after its election elect from their number a Treasurer who shall be the Treasurer of the Exchange. The appointment shall remain in force till the Committee appointing him retires.

If a majority of the Committee cannot agree to the election from the members of the Committee of a Treasurer the Committee may elect any other member of the Exchange to this post, but such Treasurer shall have no right to vote.

57. The Committee shall appoint a paid Secretary or a paid Assistant Secretary but such paid Secretary or Assistant Secretary shall not be a member of the Exchange.

58. The Secretary shall attend all meetings of the Exchange and of the Committee of Management and of Committees of Members and shall keep proper minutes of the proceedings of all meetings of members or of Committees.

59. The Secretary shall have, subject to the direction of the Committee general charge and control of the Books, papers and registers of the Exchange and of the staff employed by the Committee of Management.

60. All members of the Exchange shall keep their accounts in ink, shall give the Secretary all such information as the Committee require for the purposes of the Exchange and shall attend such Meetings of the Committee or of any Sub-Committee as they may be requested by the Secretary.

Powers of the Committee of Management.

61. The Committee of Management shall have the sole and entire management, control and superintendence of the business affairs, concerns, funds and properties and Income and Expenditure of the Exchange and shall be entitled to do all such acts and things and to exercise all such powers as the Exchange could do or exercise in general meeting except such as are by law or by these regulations or by any other regulations for the time being in force required to be done or exercised by the Exchange in General Meeting.

62. (1) A Resolution of the Committee shall not be valid or put in force until confirmed at a subsequent meeting, unless it relate to the shutting of the Exchange, the admission of Members, the re-admission of Defaulters or Insolvents and the fixing of settling days.

(2) If a Resolution be not confirmed and another Resolution be substituted, the substituted Resolution shall require confirmation at a subsequent Meeting.

(3) In cases which do not admit of delay, two-thirds of the Committee present must concur in favour of the immediate confirmation of the Resolution, and the urgency of the case must be stated upon the Minutes.

63. Without prejudice to the general authority hereinabove conferred on the Committee of Management, the Committee of Management is hereby specially authorised to do any of the following acts, matters and things :—

(a) to make and from time to time alter as they may think fit a scale of charges for brokerage on all transactions for the sale and purchase of stocks, shares, Government securities, Bonds and Debentures, (*b*) to commence, prosecute and defend all such actions, suits and proceedings whether Civil or Criminal as the Committee may consider necessary and the same to compromise or submit to arbitration and to make, give, sign, and execute all documents in that behalf,

(*c*) to issue from time to time orders as to shutting of the Exchange, the fixing of ordinary settling days, or the granting or refusing of permission to deal in new securities and to amend, repeal and withdraw the same as they may consider necessary or proper,

(*d*) to suspend any member, who—

(1) may violate or act in breach of any of the Rules and Resolutions of the Exchange for the time being in force,

(2) may refuse or fail to comply with any decision or Resolution of the Committee of Management or of the Exchange, or who may wilfully obstruct the business of the Exchange,

(3) and to expel or suspend any member who may in the opinion of the Committee be guilty of dishonourable or disgraceful conduct.

A Resolution for expulsion or suspension under this sub-clause shall not be valid or effectual unless it is passed by a majority of three-fourths at a meeting of the Committee specially summoned at which not less than twelve members were present and is confirmed by a majority at a subsequent meeting of the Committee specially summoned for the purpose.

(*e*) The Committee shall also have power from time to time to make, alter and repeal such rules as they may think expedient to govern the transactions of all business in stocks, shares, Government Securities, bonds and debentures by members of the Exchange.

(*f*) The Committee of Management may, in their absolute discretion, and in such manner as they may think fit, notify or cause to be notified to the members of the Exchange and to the Public, any Resolution of the Exchange or of the Committee expelling or suspending a member. No action or other proceedings shall under any circumstances be maintainable by the member referred to in such notification against the Exchange or the Committee or the member thereof or the officers of the Exchange for or in respect of such publication.

64. When a member is expelled his card or seat and all his rights as a member of the Exchange including his rights to the use of or claim upon or interest in any property or funds of the Exchange shall stand forfeited to the Exchange.

65. Any seat or card which is forfeited to the Exchange under any of the regulations herein contained shall belong absolutely to the Exchange free of all rights or claims of the member who forfeited the same or any person or persons claiming through him or in his insolvency and the Exchange shall be entitled to deal with or dispose of the same as it may think fit. If such card is sold by the Exchange the sale-proceeds shall in the first place be applied in satisfying the liability of such member to other members of the Exchange in respect of transactions on the Exchange and the balance if any shall be paid into the Funds of the Exchange. Provided always that the Exchange at their absolute discretion by resolution passed at a General Meeting of members direct such balance to be disposed of or applied in such other manner as it may think fit.

66. Every member of the Association shall immediately report to the Committee any violation by a member of the rules of the Exchange which may come under his notice. Any complaint or report so made by a member to the Board or the Secretary shall be privileged.

Proceedings of the Committee of Management.

67. The Committee of Management may ordinarily meet once in every week on such days and at such times as they may determine from time to time. A special meeting of the Committee may, at any time be called by the President or by the Secretary and shall be called by the Secretary on a written requisition from two or more members of the Committee. If the Secretary does not call such meeting within 24 hours of the receipt of the requisition the members who signed the requisition or any two of the members of the Committee may call the meeting. In case of emergency one hour's notice of such special meetings shall be deemed sufficient notice. The notice calling the meeting shall specify the purpose for which it is called and if the meeting is called at less than 24 hours notice, the urgency of the matter, and no business shall be transacted at such meeting except the business specified in the notice.

68. All proceedings of the Committee of Management shall be recorded in a book to be kept for the purpose by the Secretary. Six members present shall be the quorum for meetings of the Committee, except in cases requiring a quorum specially fixed otherwise by Rule.

69. Subject to the Rules and Regulations of the Exchange for the time being in force, the Committee of Management may regulate its own proceedings.

Power to purchase and sell lands, etc.

70. The Committee of Management shall be at liberty (with the sanction of a General Meeting specially convened for the purpose) to purchase or sell, take on lease or otherwise acquire lands, or buildings or erect buildings in any locality or localities in the Island of Bombay for the use of the Members of the Exchange or otherwise for the purposes of the Exchange.

Duties of the Treasurer.

71. *The Treasurer* of the Exchange shall recover and receive all the subscriptions, donations and all other moneys due to the Exchange, and shall give receipts for the same. Such receipts shall be signed by the Treasurer and countersigned by the President of the Exchange or by a member of the Committee specially appointed in that behalf by Resolution of the Committee. The President or other member so appointed shall be entitled to countersign on the strength of previous signature of the Treasurer and shall not incur any personal liability or responsibility in consequence of his having so countersigned a receipt. The Treasurer shall defray and pay all the expenses of the Exchange in confirmity with the directions of the Committee communicated through the Secretary and shall keep a full and detailed account of all receipts and disbursements and of the general income and expenditure and of the funds and investments of the Exchange and shall submit such accounts to the Committee when required and such accounts shall be open to the inspection of the members at such time and place as may be appointed for the purpose by the Committee. The Treasurer shall also prepare the Annual Finance Statement to be laid before the Annual General Meeting and the same shall be published annually for the information of the members of the Exchange.

Auditors.

72. The Annual General Meeting shall appoint an auditor and fix his annual remuneration. The auditor so appointed shall examine the accounts of the Exchange, examine the securities and other investments of the funds of the Exchange and all the necessary vouchers and papers and make his report which shall be submitted to the Annual General Meeting of the Exchange. If any casual vacancy occurs at any time in the office of the auditor the Committee shall forthwith fill up the same.

Trustees to be appointed as occasion may require.

73. The members of the Exchange at the Annual General Meeting or at special meeting convened for the purpose as occasion shall require, shall from time to time appoint such members, being natives of the Bombay Presidency, as they please, Trustees of the Funds and properties of the Exchange and shall have power from time to time to remove such Trustees or one or more of them as they shall see occasion and to appoint another or others in their or his place or stead and all grants, conveyance, and assurances of any immoveable property purchased by or out of the Funds of the Exchange and all instruments and assurances for the security and indemnity of the Exchange and of the Members of the Committee of Management, officers, property, capital, stock and of acts thereof shall be taken in the names of such Trustees.

Deed Declaring Trust.

74. The Committee of Management shall from time to time as occasion shall require cause a deed or instrument to be executed, declaring the Trust upon which the Trustees hold or will hold any property of the Exchange vested in them and they shall do so on every appointment of any Trustees and the Committee of Management shall cause such of the property of the Exchange as shall be directed or intended by the General Meeting, appointing such Trustee or Trustees to be vested in his or their name or under their or his legal control, jointly with any continuing or other Trustee or Trustees or solely as the case may be to be so vested.

Receipt of the Trustees to be a sufficient discharge.

75. The receipt of the Trustees for the time being of the properties of the Exchange for the purchase moneys of any property held by the Trustees and sold by or on behalf of the Exchange shall be good and sufficient discharge to the persons, paying or delivering such moneys or effects for the money, or effects which in or by such receipt shall be expressed to be or to have been received and the persons paying or delivering such money or effects and taking such receipts aforesaid shall not be obliged or required to see to the application of the same money or effects or be answerable or accountable for the mis-application or non-application thereof.

The present Trustees, and provisions for the appointment of new Trustees.

76. Messrs.

shall be the Trustees of the Exchange for the several purposes herein expressed, and they shall respectively continue in Office, till they or any of them die or become insolvent, or leave Bombay or be removed or be desirous of withdrawing from the Trusts reposed in him or them and that upon the happening of any such events, the Members of the said Exchange shall at a duly convened Annual General or Special Meeting nominate and appoint a successor or successors, who shall thereupon be and become a Trustee or Trustees in the room of such Trustee or Trustees, so dying, becoming insolvent, leaving Bombay, being removed, or relinquishing his Trust as aforesaid. Provided also that none but members of the Native Community of the Bombay Presidency shall be appointed Trustees under these presents or members of the Committee of Management.

Power of the Trustees to invest.

77. The Trustees for the time being shall from time to time, on the application of the Committee of Management, invest all moneys belonging to the said Exchange in securities of the Government of India, or any Local Government, Port Trust Bonds, Municipal Bonds, or such other securities authorised by law for investment of Trust Fund as the Committee may direct, or in houses and landed property in Bombay or by depositing the same at a fixed rate of interest with any respectable Bank of Joint Stock Company and shall from time to time by the direction of the Committee alter and transpose the funds, and securities in or upon which the moneys for the time being shall be invested.

Investment of Surplus Funds with the Treasurer.

78. Any surplus fund which may from time to time remain in the hands of the Treasurer may if the Committee think fit be invested in the securities or in manner aforesaid, in the names of the Trustees for the time being.

Liabilities of Trustees and liberty to re-imburse.

79. The Trustees for the time being shall not at any time be made liable for any more money, than shall actually come in to his or their own proper hands, or for the loss, or variation in the price of securities or for the failure of any Bank or Company or the dishonesty of any clerk or servants or other person with whom any part of the trust property may be deposited or be placed in charge or be liable for any other than his own immediate and respective wilful acts, deeds, and defaults and every such Trustee shall be at liberty from and out of all any, any part of the trust moneys, in the first place, to re-imburse himself all sums of moneys, costs, charges, damages, expenses and demands whatsoever which he can, shall or may reasonably incur, bear, sustain, or be put into in any manner howsoever by reason or on account of his acceptance or execution of the Trusts anything hereinbefore contained to the contrary thereof in anywise notwithstanding.

Sub-Committees.

80. For the more efficient and harmonious working of the affairs of the Exchange and for carrying out the provisions of these presents the following Sub-Committees of the Committee of Management shall be appointed :—

1. Committee for Defaulters.
2. Committee of New Issues.

The quorum of each Sub-Committee shall be three.

Sub-Committee for Defaulters.

81. *Definitions.*—In these rules unless there be something in the subject or context inconsistent therewith

Defaulter shall mean and include a member of the Exchange who has been declared a Defaulter pursuant to the Rules of the Exchange in that behalf and for the time being in force.

Debtor shall mean and include a member indebted to another member in respect of a transaction entered into, subject to the Rules and Regulations of the Exchange.

Creditor shall mean and include a member having a claim against another member in respect of a transaction entered into, subject to the Rules and Regulations of the Exchange.

Defaulter's Assets or Defaulter's Estate shall mean and include all monies, properties and effects of a member which the Sub-Committee is entitled under the Rules of the Exchange to collect, recover, realise, distribute and deal with and all such moneys, property and effects in the hands of the Sub-Committee.

82. The Sub-Committee for Defaulters shall consist of six members.

83. A member who has failed to fulfil or is unable to fulfil his engagements on the Exchange shall be publicly declared a Defaulter by direction of any two members of the Committee of Management, on application for such declaration handed to the Secretary by any of the creditors on the Exchange. The member so declared shall at once cease to be a member of the Exchange.

84. Clerks of Defaulters and of suspended or expelled members shall be excluded from the Exchange.

85. A member who is adjudicated an insolvent shall cease to be a member upon resolution of the Committee of Management to that effect, although he might not have been declared a Defaulter.

86. Whenever any member of the Exchange becomes or is declared a defaulter on the Exchange, the Sub-Committee shall be entitled to take charge of and shall take charge of all his books of accounts, documents, papers and vouchers to ascertain the state of affairs of the defaulter. The defaulter member shall hand over all such books, papers, vouchers and account books to the Sub-Committee.

87. The defaulting member shall file with the Sub-Committee within fifteen days after his failure, a written statement, containing a complete list of his debtors and creditors and of the amount due by and due to each.

88. The defaulting member shall also submit to the Sub-Committee such Statements of Accounts, information and particulars as the Sub-Committee may require from time to time in connection with his business and affairs, and shall also attend meetings of the Sub-Committee and meetings of his creditors on the Exchange.

89. The Sub-Committee shall be entitled to enquire into the affairs and dealings of the defaulting member and shall report to the Committee of Management anything improper or unbusinesslike or unbecoming of the members of the Exchange which may come to their knowledge in connection with the affairs and dealings of the defaulting member.

90. Immediately after a member has been declared a defaulter, all members having contracts subject to the rules of the Exchange with the defaulter shall without unnecessary delay close their outstanding business by purchase or sale as the case may be in the open market.

91. Within a fortnight after a member is declared a defaulter every member shall send to the Secretary either a statement of his accounts with the defaulter.

If any member fails to send such statement or certificate as aforesaid within the period aforesaid, the secretary shall call upon him to send such statement within a week of the date of demand. If a member fails within such period of one week to send to the secretary such statement of account, the secretary shall report the matter to the Committee of Management and the Committee shall be entitled by resolution to suspend such member.

If the Committee is satisfied that any statement of account sent by any member was false or misleading, the Commttee shall be entitled by resolution to suspend or expel such member.

92. The Sub-Committee shall be entitled to recover all moneys, shares or securities due, payable or deliverable to the defaulting member by any other member or members of the Exchange, and shall pay the assets into such Bank and in such names as the Committee of Management may from time to time direct, and the same shall be distributed as soon as possible *pro rata* among Stock Exchange creditors of the defaulter whose claims are admitted.

93. All moneys, shares or securities, due, payable or deliverable to the defaulter must be paid or delivered to the Sub-Committee within thirty days from the day of his being declared a defaulter. Any member violating this rule shall be liable to be declared a defaulter.

94. The Sub-Committee shall keep a separate account in respect of all moneys, shares or securities so received and shall be entitled to pay thereout all costs, charges and expenses incurred in or about the collection of such assests or in or about any proceedings taken by the Sub-Committee in connection with the business or affairs, assets or liabilities of such defaulting member, and the Sub-Committee shall apply the net assests in their hands after paying all such charges and expenses as above in satisfying rateably the claims of all members of the Exchange against such defaulting member arising out of any business or dealings on the Exchange subject to the rules and regulations of the Exchange.

95. The Sub-Committee shall not entertain any claim against a defaulter which does not arise out of a Stock Exchange transaction made in accordance with the rules of the Exchange. Provided always that in the distribution of the assets of the Defaulter by the Sub-Committee the claims specified below against a defaulter will not be allowed to rank against the defaulter's estate until all other claims have been paid in full. Provided further that claims of the nature specified below subsisting in favour of the defaulter shall be enforced and the assets thereby collected shall be distributed amongst the creditors on the Exchange in the same way as other assets collected by the Sub-Committee.

(1) Claims arising from bargains done for cash delivery more than 15 days previous to the day of the default.

(2) Claims arising from differences which have been allowed to remain unpaid for more than four business days beyond the day on which they became due.

(3) Claims arising from a promissory note.

(4) Claims arising from a loan of money made upon securities.

96. A member who shall have received a difference on an account or made any settlement, prior to the regular day fixed by the Committee for settling the same shall in the event of the member, from whom he received such difference or consideration failing to pay all his other

creditors on the Exchange moneys becoming due from him on such settling day and being declared a defaulter refund the same to the Sub-Committee for the general benefit of the creditors and any member, who shall have paid or given such difference or consideration to any other member prior to such settling day shall again pay the same to the Sub-Committee in the event of such other member failing to pay moneys becoming due to members of the Exchange on such settling day and being declared a defaulter.

97. If the Sub-Committee for Defaulters as representing the estate of a defaulting member has a claim against another defaulting member, such claim shall not have any priority over other creditors but shall rank or participate with other creditors.

98. The Exchange, being one of the creditors of a defaulter, shall have a prior claim on the defaulter's estate.

99. The Sub-Committee shall be entitled to take any proceedings in a Court of Law either in their own names or in the name of the defaulting member as they may be advised for recovering the property and assets of the defaulting member which they are entitled to recover under these presents.

100. No member of the Exchange shall without the written permission of the Committee of Management be entitled to file any suits or proceedings in a Court of Law in respect of any money or property alleged to be due by the defaulting member in respect of any business or dealings on the Exchange or business or dealings made or entered into, subject to the rules and regulations of the Exchange.

101. The Sub-Committee shall present a report to the Committees of Management every six months in respect of the affairs of every defaulting member taken charge of by the Sub-Committee pursuant to these presents shewing the assets realised and liabilities discharged and dividends given, and all accounts kept by the Sub-Committee pursuant to these presents shall be open to inspection by every member of the Exchange.

102. If any member of the Exchange becomes or is adjudicated an insolvent all assets and property of such member which the Sub-Committee for defaulters would be entitled to collect realise and deal with under these presents shall not on such insolvency be deemed to be a part of the assets of the insolvents for the purposes of the Insolvency and shall not vest in the Official Assignee or other Assignee in insolvency but shall be collected, recovered, realised and dealt with by the Sub-Committee in accordance with these presents and the rights of the Official Assignee or Assignee in Insolvency as to such assets and property shall be only to such part of the said assets and property if any as may remain over after the claims of the members of the Exchange in relation to business done on the Exchange or subject to the rules and regulations of the Exchange have been first satisfied in full.

103. If any member who has become a defaulter fails within six months from the date of his becoming defaulter to settle with his creditors, at the date of his default, and to obtain from them receipts or releases in full of their claims against the defaulter, the Committee of Management shall be entitled on recommendation of the Sub-Committee for defaulters to sell and dispose of the Card of such member and the net sale proceeds of such card shall be handed over to the Sub-Committee to be dealt with as part of the assets or funds of the defaulter raised by the Sub-Committee pursuant to these presents, and the balance if any shall be paid into the Funds of the Exchange. Provided always that the Exchange at their absolute discretion by resolution passed at a General meeting of members direct such balance to be disposed of or applied in such other manner as it may think fit.

104. The Committee of Management may extend the time of settlement for periods not exceeding one year. At the expiration of the time granted, the card of such member shall be disposed of as above provided.

105. When the defaulter proposes to make a composition for the payment of his debts, or a scheme for the arrangement of his affairs, he must lodge a signed proposal with the Secretary, setting out the terms of the scheme which he desires to submit to his creditors, and the particulars of any sureties or securities proposed.

106. The Secretary must then hold a meeting of creditors. If three-fourths in value of the creditors decide to accept the proposal, the same shall be deemed to be duly accepted by the creditors and shall be binding on all the creditors.

107. If a defaulter succeeds in settling with his creditors and obtains from them receipts or releases in full of their claims against him, and if the Sub-Committee for defaulters as representing the estate of another defaulting member be one of the creditors of such defaults, the Sub-Committee shall accept the arrangement for settlement accepted by the other creditors. If the Sub-Committee for defaulters as representing the estate of a defaulting member has a claim against another defaulting member, such claim shall not have any priority over other creditors but shall rank or participate with the other creditors.

108. Not less than one month before declaring a dividend, the Sub-Committee must give notice of their intention to do so to the Secretary. This notice must state the latest date, not less than 15 days from the date of the notice, up to which the claim must be lodged and must

be posted in the Exchange on the Notice Board. A creditor failing to enter his claim within the time so limited is debarred from dividend, but is entitled to the payment of any future dividend or dividends declared subsequently to the proof of his claim.

109. After the expiration of this period, the Sub-Committee must declare the dividend of which notice has been given, giving notice thereof to each creditor whose claims have been admitted without regard to the claims of any other person. Dividends shall be paid by cheques drawn on any local Bank authorised by the Committee of Management. A creditor may have his dividend cheque sent by post at his own request and risk.

110. If the Sub-Committee have any dividend which has been unclaimed for more than six months, or where, after paying a final dividend they have any unclaimed or undistributed moneys arising from the property of the defaulter, they must pay the same to the Famine Relief Funds of the Exchange. Unclaimed dividend means dividend which has been declared on claims admitted but which the member entitled to it has failed or neglected to claim.

111. A defaulter may at the discretion of the Committee be re-admitted by resolution of the Committee of Management provided he has complied with the conditions of Rule 113.

112. A defaulter who has failed to disclose the name of his creditors or who has not, within 15 days from the date of his failure delivered to the Sub-Committee, his original books and account and a statement of the sums owing to, and by him, in the Exchange at the time of his failure shall not be eligible for re-admission.

113. A defaulter who has not paid from his own resources at least one-fourth of the amount of the loss he has incurred on the Exchange shall not be eligible for re-admission.

114. A defaulter may be re-admitted by the Committee of Management when it is proved upon the report of the Sub-Committee that all his liabilities to his creditors have been *bonâ fide* discharged in full.

115. A member, who has ceased to be a member under Rule 85 though not declared a defaulter may be re-admitted by the Committee of Management when the Committee is satisfied that he has paid 16 annas in the rupee on all his debts.

116. A defaulter applying for re-admission shall furnish to the Committee of Management a list of his creditors, a statement of the amounts originally owing, and nature of the settlement in each case. Upon the applicants furnishing satisfactory proof of settlement with all his creditors to the Sub-Committee the Committee of Management shall take the application into consideration upon the report of the Sub-Committee.

117. Notice of every application by a defaulter, for re-admission shall be posted in the Exchange on the notice board for at least 15 days previous to re-admission.

118. A member intending to object to the re-admission of a defaulter, shall communicate the grounds of his objection to the Committee of Management by letter within 15 days of the date of posting of the notice of the application.

119. If an application for re-admission be rejected by the Committee of Management or if no such application is made within six months after the member was declared a defaulter, his card shall be disposed of by the Committee and proceeds of sale thereof shall be dealt with as provided in Rule 103.

120. A member shall not carry on business for or with a defaulter before his re-admission to the Exchange.

121. A member, being a creditor of a defaulter's estate, shall not sell, assign or pledge his claim on such estate without the consent of the Committee of Management.

Sub-Committee on New Issues.

122. The Sub-Committee shall consist of five members who shall report to the Committee of Management upon all matters relating to quotations on the Exchange and to the granting of permission to deal in New Issues.

123. A list of all securities admitted to dealings shall be published daily under the authority of the Committee of Management.

The list shall contain the following particulars :—

(*i*) The Capital of the Company.

(*ii*) The nominal value of each share.

(*iii*) The amount paid up on each share.

(*iv*) The closing quotation.

(*v*) The prices at which bargains have been recorded.

124. Bargains may be marked during official hours ; the Committee strongly recommends constituents to instruct their Brokers to record their business.

Clearing House.

125. There shall be a clearing house under the control of the Committee of Management for the purposes of acting as the common agent of the members of the Exchange in settling transactions by receiving and delivering shares and making and receiving payments therefor and clearing the differences. The clearing house shall not be deemed to guarantee the genuineness or regularity of any share or transfer or document passing through them and their only obligation in the matter shall be to facilitate the delivery of shares and documents from selling members to purchasing members.

126. The Clearance Lists, Balance sheets, Delivery forms, Claim Notes, Vouchers, etc., used for the purposes of the Clearing House shall be in form from time to time prescribed or sanctioned by the Committee.

127. (*a*) All members shall comply with and carry out all directions, notices and circulars given or issued by the Committee regarding the working of the Clearing House and the Committee may impose penalty not exceeding five rupees for each case of neglect of attention to or disregard of any such directions, circulars or notices, errors, or omissions or illegibility in the making up of forms, balance sheets and other documents and delays in submitting them or any of them to the Clearing House.

127. (*b*) If a member fails to give or take delivery of all or any of the shares specified in Form No. 2 or 2A submitted by him to the Clearing House, the Committee may in their discretion impose on the members so failing to give or take delivery a penalty not exceeding 2 per cent. of the market value of the shares in addition to any loss he may suffer on account of the shares being bought-in or sold-out by the Exchange under the Rules, in consequence of such failure. Such penalty shall be in addition to the commission of the Clearing House on auctions.

128. The Committee shall designate from time to time the shares which shall be cleared and in all transactions for forward delivery in such shares, the deliveries shall be made through the Clearing House. The Committee shall fix the making-up price of all securities cleared, by taking the actual market price at the opening of business on the day before the payment day; on the morning of the payment day all unsettled bargains shall be brought down and temporarily adjusted at such making-up price.

129. The Committee shall at their discretion have power to admit shares of any particular company except Banks to the settlement provided that the following conditions and requirements are complied with.

No shares in Banking companies shall be admitted to settlement unless :—

(1) All the shares are fully paid up.

(2) The Company undertakes to split up a share certificate in lots required by a shareholder who holds a certificate for a larger number of shares.

(3) The Company undertakes to close the transfer books whenever they have an occasion to do so on such days as may be convenient to the Exchange for the settlement of the transactions done.

A resolution allowing such dealings for settlement must be carried by a majority of three-fourths of the Committee present at a meeting specially summoned and consisting of not less than 12 members.

130. Nothing in the conduct of the business of the Clearing shall attach any liability to the Exchange, or to any member of the Committee of Management in respect of the genuineness or true ownership of any shares passing through the Clearing House or otherwise in respect of any such shares and delays on the part of the Clearing House shall not attach ony liability to members who are clearing.

Comparison of Contracts.

131. It shall be the duty of the seller to compare each transaction at the table of the buyer in the settlement room within two working days after the sale.

132. It shall be the duty of the buyer to investigate before the fourth working day after the purchase each transaction which has not been compared by the seller.

133. If a difference in the respective contracts of the parties be discovered during comparison pursuant to Rules 131 and 132 and if such difference be not adjusted by mutual agreement within twenty-four hours, any party intending to make a claim against the other must forthwith close the transaction by purchase or sale as the case may be so as to determine the amount of damages to be claimed and the matter shall then be referred to arbitration.

134. If a member fails to comply with the provisions of Rules 131 or 132 and if a difference in the contracts which would have been discovered on comparison under Rules 131 or 132 is subsequently discovered, the member who so fails to comply shall not be entitled to call for performance of the contract except as it appears in the books or records of the other party to the transaction.

135. The comparison shall be made by the members or their clerks by putting their initials in the Contract Books.

Liability on Contracts, Payment and Delivery.

136. In all transactions for ready delivery, necessary forms of transfers duly signed by the transferor and witnessed and filled with his full name and address shall be delivered by the seller to the buyer before five o'clock p. m. on any day not later than the fifth day from the date of sale, and when such deliveries of transfer forms are not made by that time, the shares may be bought-in by the buyer in manner hereinafter provided.

137. Unless otherwise stipulated or agreed upon at the time of sale, the buyer is entitled to require from the seller transfer forms to be delivered to him in the following lots.

Each transfer of 50 shares if the face value does not exceed Rs. 10.

Each transfer of 25 shares if the face value exceeds Rs. 10 and does not exceed Rs. 25.

Each transfer of 10 shares if the face value exceeds Rs. 25 and does not exceed Rs. 50.

Each transfer of 5 shares if the face value exceeds Rs. 50 and does not exceed Rs. 100.

Each transfer of 1 share if the face value exceeds Rs. 100.

138. The denomination of share certificates shall be the same as denomination of the transfer deed delivered in accordance with the provision of the above rule.

139. Delivery of the shares sold must be made by the seller on the fifth day after the day on which the transfer forms were delivered and before 2 p. m. on that date. If delivery of shares is not made by that time the shares may be bought-in by the buyer in the manner hereinafter provided.

140. The buyer shall not be required to pay for shares presented after two o 'clock p. m. on the date fixed by Rule 139 for delivery of shares. He must accept and pay for all, or any part of the number of shares bought which may be delivered within the prescribed time and he may buy-in the undelivered portion in accordance with the provision of the above rule.

141. If the buyer fails to take up and pay for shares on the due date when delivered, the seller has a right to sell out the same in the manner hereinafter provided.

142. In every case the party in default shall be liable for any damages which may arise by such buying-in or selling-out.

Buying-in and Selling-out.

143. Buying-in and selling-out must be effected by the Secretary in the open market. Only the members of the Exchange shall have a right to make bid or offer, non-members being excluded.

144. The committee may suspend the buying-in of securities when circumstances appear to them to make such suspension desirable in the general interest. The liability of intermediaries shall continue during such suspension unless otherwise determined by the committee. The right conferred by this rule shall not be exercised in the case of corners or over-bought or over-sold positions unless the Committee are satisfied that a *prima facie* case of fraud has been established.

A resolution under this rule must be carried by a majority of three-fourths of the committee present at a meeting specially summoned for the purpose and consisting of not less than twelve members.

145. The shares of a company shall not be bought-in or sold-out during the period its transfer books are closed for payments of dividend or bonus or the receipt of calls or for any other reason.

146. Notice in writing of intention to buy-in or sell-out shares must be delivered at the office of the member in default the next business day after the due date. And if such notice is not given, the buyer or the seller as the case may be shall not be entitled to buy-in or sell-out and claim damages. This rule shall not apply to buying-in or selling-out effected by the Exchange in course of clearance through the Clearing House.

147. A member who has given notice of intention to buy-in or sell-out must so buy-in or sell-out within three days from the due date, and if he fails to do so, he shall not be entitled to damages exceeding what would have been due if the buying-in or selling-out had been effected on the 3rd day after due date.

148. If the buying-in or selling-out is not effected within the above period and if the member buys-in or sells-out at a later date and satisfies the Committee that it was impracticable to buy-in or sell-out earlier than he did, the Committee may allow damages on the footing of the rates at which the shares were bought-in or sold-out or such other rates as the Committee may think fit.

149. Any notice of intention to buy-in or sell-out under rule 146 may be withdrawn in writing, and on such withdrawal, the parties shall be in the same position as if the notice had not been given at all.

150. If a buyer has issued a notice of intention to buy-in the shares for default in delivery, and if the seller makes a proper tender before the notice is withdrawn as above or before the shares have been bought-in, the buyer must receive and pay for the shares.

151. If a seller has issued a notice of intention to sell-out the shares for default in payment, and if the buyer tenders payment before the notice is withdrawn or before the shares are sold-out, then in that case, the seller must deliver the shares and accept the payment.

152. Shares bought-in and not delivered the next business day may be again bought-in for immediate delivery without further notice, and any loss shall be paid by the member causing such further buying-in.

153. Shares sold-out and not paid for the next business day may be again sold-out for immediate payment without further notice and any loss shall be paid by the member causing such further selling-out

154. The member for whose account buying-in or selling-out is effected shall not be permitted to make the bid or offer.

155. A member buying-in or selling-out the shares, must within two days of the buying-in or selling-out give notice of the same to the member in default and claim the damages, if any, arising therefrom. The member on whose account the buying-in or selling-out is effected shall, notwithstanding that he is in default, be entitled to the difference or profit which may arise by the buying-in or selling-out on his account as the case may be.

Settlement of Contracts.

156. In all deliveries of shares, the party delivering shall have right to require the purchase money to be paid against delivery on due date provided however, that payment on deliveries through the Clearing House shall be made in conformity with Rules and By-laws of the said Clearing House.

157. While the transfer books of a company are closed, shares of that company shall not be delivered and payment claimed, during the closing of the transfer books.

158. All contracts falling due during the closing of transfer books shall be settled on the day on which transfer books re-open.

159. All contracts falling due on holidays shall be settled on the next business day.

160. Parties receiving shares shall not be entitled to deduct from the purchase price, any sum due to them or any damages claimed by them.

161. The buyer is entitled to deduct the dividend when paying for shares on which the dividend has been declared and in respect of which the transfer books were closed before the date of delivery

162. Stamp duties payable to Government and fees charged by the Company registering transfers of the shares and known as transfer fees shall be paid by the buyer.

163. The seller shall not be obliged to deliver or transfer the shares and receive payment thereof at the office of the buyer who or one of his clerks is required to be present in the settling-room for the purpose.

Dividend and Rights.

164. The buyer shall be entitled to receive all interest, dividends, rights and privileges, except voting power, which may pertain to the shares bought, and for which the transfer books shall close during the pendency of the contract.

165. All transactions in shares shall be ex-dividend from the day on which interest or dividend is payable; they shall be ex-rights from the latest day fixed for the receipt of applications for rights by the Company, but all transactions before that day shall be cum-dividend and cum-rights. Provided that shares admitted to settlement dealings shall be quoted cum-rights till the day fixed by the Board in that behalf. Thereafter transactions shall be made ex-right.

166. Members shall not be personally liable between themselves for dividends, bonus or rights on shares sold by them when said shares were delivered by them not less than four working days before the closing of Books of the Company to enable the buyer to get the shares transferred to his name; but nothing herein contained shall affect the rights and obligations of buyers and sellers between themselves, as constituents or principals, for recovery of such dividends or bonus or rights.

167. The buyer is entitled to new shares issued in right of old provided that he specially claims the same in writing from the seller not later than one o'clock p.m. on the day preceding the latest day fixed for the receipt of applications by the company.

168. Rights are to be settled by letters of Renunciation, when practicable. When proper letters of Renunciation are delivered or tendered to the buyer before 2 p.m. on the day preceding the latest day fixed for receipt of applications, the seller shall be relieved from all further liability in respect of said rights. A member shall not be bound to accept letters of Renunciation not tendered within the time above fixed.

169. If settlement of claims to Rights be not made by letters of Renunciation by reason of the failure of the seller to deliver such letters within the time above fixed, the seller shall then bear the extra expense, if any, of transfer. Provided however that, where no letters of Renunciation are issued or recognised by the company, any expense of transfer shall be borne by the buyer.

170. When letters of Renunciation are not issued, all payments as and when required by the Company are to be advanced to the seller by the buyer, who may demand a reciept for the same, the seller being a trustee of them for the buyer.

171. When securities are sold cum-rights and are delivered after closing of the transfer books for Rights and when the new securities cannot be obtained by letters of Renunciation, the Committee shall fix a price, which may be deducted by the buyer from the purchase money of the old securities. The buyer shall pay this price, *i.e.*, the balance due on the contract, when the seller delivers the new securities at any time on or before the day fixed by the Committee for settlement of Rights.

Responsibility for Genuineness of Documents and Registration.

172. A member who receives payment against the delivery of complete documents, *i.e.*, shares and transfer deeds, etc., shall be responsible to the member to whom the same are delivered, for the regularity and genuineness of the documents delivered for a period of 15 days from the date of delivery, except in case of fraud or bad faith on the part of such member in the transaction. After this period, the liability of the member who delivered the documents shall cease and the Committee shall not entertain any complaint in respect of the irregularity or non-genuineness of any document so delivered. Nothing herein contained shall affect the liability of the constituent (which term shall, in cases where the member has dealt on his own account, include such member) from whom the member may have received the document, in an action at law or in any other proceedings and the above rule shall apply only to the rights and obligations of members between themselves. The member who delivered the document shall however be bound to render every assistance to the buyer in any proceedings he may take against the seller.

173. If within the aforesaid period of fifteen days, the member to whom the documents are delivered intimates in writing to the member who delivered the same his objections to the regularity and or genuineness of the documents, the member who delivered the same shall, within a week from the date such objection is so intimated, remove the irregularity or establish the genuineness of the document as the case may be or deliver other regular genuine documents; and if he fails to do so he shall refund the moneys paid against the documents on return of the documents.

174. Such refund of the price and return of the documents shall not operate as cancellation of the contract, and if the seller within 15 days of the refund tenders to the buyer proper documents, the buyer shall be bound to accept the same in fulfilment of the original contract and pay the price.

175. If the seller fails to tender such proper documents within the said period of 15 days, the buying member shall be entitled to buy-in the same against him and claim the damages, if any.

176. Save as next hereinafter provided, the sales of the shares are not conditional on the company transferring the shares into the name of the buyer. The only obligation on a seller on a sale of shares is to tender and deliver relative certificates of shares with a properly executed transfer. The seller shall not be taken to guarantee that the company will transfer the shares into the name of the buyer and shall incur no liability by reason of the refusal of the company to transfer in exercise of the power in that behalf under the articles of association of the company.

177. The purchaser shall pay every call or contribution which become payable after delivery of the certificates and transfer, and if he fails to do so and the seller has to pay the same the seller shall be entitled to claim and recover the same from the purchaser, notwithstanding the fact that the purchaser applied to transfer the shares but the directors have refused to transfer the same.

178. The two rules preceding namely Rules 176 and 177 shall not apply to cases where the company refuses to transfer the shares on the ground that the shares are subject to lien in respect of any debt or liability of the seller, and if transfer is refused on that ground the seller shall, within seven days after being called upon to do so by the buyer, either release the shares from such lien or give other shares free of any lien, and if he fails to do so the buyer shall be entitled to rescind the sale and to recover the price paid and to recover damages for any loss sustained.

179. If the company has been wound up at the date of the contract or is wound up between the date of contract and the due date for payment, the seller is entitled to claim and recover from the purchaser the purchase money on the due date and any contribution required to be paid even though the liquidator refuses his consent to the transfer. If in any such case, the buyer cannot get the shares transferred to his name, the seller shall, if required to do so by the buyer and at the cost of the buyer, assign his title and rights in the shares sold to the buyer and execute a Power of Attorney in favour of the buyer to enable him to recover all or any dividends becoming payable in respect of shares bought by him after the date of the contract of sale.

Hours of Business.

180. The hours of business on the Exchange shall be from on all working days and 12 Noon to 2 p.m. on all Saturdays or such other hours as may from time to time be fixed by the Committee. The opening and closing of the Exchange shall be announced officially by the ringing of a bell.

181. The Committee shall, in November, fix twelve Account days for the ensuing year.

182. Dealings upon the Exchange shall be limited to the hours fixed for business.

183. The Exchange will be closed on the following days, *viz.*,

All Sundays.
All Bank Holidays (declared by the Government of Bombay under the Negotiable Instrument Act).
Stock Exchange Holidays. Namely :—
Holi (1 Day besides Bank holiday for Holi Padwa).
Mahavir Jayanti.
Chaitri Punam.
Adar Jassan.
21st Day of Ramzan.
Ashadi Ekadashi.
Ashadi Chomasu. (Swetamber).
Ashadi Chomasu. (Sthanak Vasi).
Kadmi Pateti.
Ramzan Idd (one day extra if it falls on day other than Bank Holiday).
Moharrum (one day extra if it falls on day other than Bank Holiday).
Shri Mahavir Swami's Birthday celebrations (Sthanak Vasi).
Shri Mahavir Swami's Birthday (Swetamber).
Samvatsari (Sthanak Vasi).
Fourth Gatha.
Amardad Sal.
Farvardigan Jassan.
Dhanteras.
Kali Chowdas.
Kartaki Poonam.
Solar Eclipses.
Christmas (24th December to 31st December):

184. The Committee may at their discretion by a resolution passed by them close the market on any day or days other than those above mentioned.

Bargains on the Exchange.

185. Only members and their authorised clerks are allowed to enter the market. Clerks shall have to wear badges, when in the market.

186. A member shall not do any business on the Exchange with a clerk of another member except on account of such member.

187. A member may put business through for another member.

188. A member shall not transact speculative business directly or indirectly for or with an official or clerk in any public or private establishment without the written consent of his employer.

189. A member shall not form a partnership with or carry on business for or with a person, who has been suspended or expelled from the Exchange.

190. All contracts of a member of the Exchange with any other member for the purchase or sale of shares admitted to dealings by the Committee shall be and shall always be taken to be contracts subject to the Rules, Regulations and usages of the Exchange.

191. Contracts for crossing shares, *i.e.*, for Havala confirmed by both parties by putting initials in their contract books, shall not be cancelled or altered by any subsequent default either of the confirming member or of his client.

192. The Committee will not recognise any bargain effected for a period beyond the current and ensuing settlement.

193. The Exchange does not recognise as regards dealings on the Exchange any other parties than its own members; and every bargain by a member whether for account of the member effecting it or for the account of a principal must be fulfilled according to the Rules, Regulations and usages of the Stock Exchange.

194. An application which has for its object to annul any bargain shall not be entertained by the Committee, except upon a specific allegation of fraud or wilful misrepresentation or upon *prima facie* evidence of such material mistake in the bargain as in their judgment renders the case one which is fitting for their adjudication.

195. Offers to buy or sell dividend are forbidden.

196. Option business is prohibited.

197. Fictitious transactions are forbidden and a member who shall give or execute an order for the purchase or sale of shares which to his knowledge would involve no change of ownership shall be deemed guilty of disgraceful conduct and shall be liable to be dealt with as prescribed in Rule 63 (*d*).

198. Reckless or unbusinesslike dealing on the Exchange and the circulation in any manner of rumours of a sensational character by members will be deemed to be dishonourable or disgraceful conduct and the offending member shall be liable to be dealt with as prescribed in Rule 63 (*d*).

199. The Committee of Management shall receive and consider, and at their discretion, approve or disapprove all applications for admitting shares of a new company to dealings on the Exchange provided however that the Committee shall not allow such dealings unless and until the company has fulfilled the requirements and conditions of the Exchange, annexed hereto and marked B or such other requirements and conditions as may be in force in that behalf for the time being.

200. When a company intends to increase its capital by issue of further or new shares, fifteen days' notice of such proposed increase must be officially given to the Exchange before such increase may be admitted to dealings. The tender or delivery of shares in such new capital shall not be valid under contract for shares of such company unless such new shares are admitted to dealings.

General Rules.

201. The expulsion or suspension of a member shall not affect the rights of creditors.

202. A suspended member shall not during the term of his suspension exercise or enjoy any of the rights and privileges of membership.

203. A member may apply for the admission of a defaulter as his clerk for the settling room, but such clerk shall not be allowed to enter the market to effect the bargains as an authorised clerk.

204. Members and their clerks shall attend the Committee of Management or any Sub-Committee whenever required, and shall give such information as may be in their possession relative to any matter under investigation.

205. A member authorising a clerk to transact business shall not be held answerable for money borrowed by the clerk with or without security.

206. The Committee shall have the power to investigate and adjudicate upon all charges affecting the character and dealings of any member.

207. The Committee may, by a two-thirds vote of their members present, require that a member of the Exchange concerned, shall submit to the Committee or any Sub-Committee or special committee for examination such portion of his books and such papers as may appear to the Committee or such Committee, material and relevant to any matter under investigation by the Committee or by any Sub-Committee or special committee. Any member who shall refuse or neglect to comply with such requirement or shall wilfully destroy any such required evidence, or who, being duly summoned shall refuse or neglect to appear before the Committee or any Sub-Committee or special committee as a witness or refuse to testify before any such Committee shall be deemed guilty of disgraceful conduct and shall be liable to be dealt with as prescribed in Rule 63 (*d*).

208. No member of the Exchange shall be allowed to be represented by a professional legal adviser in an investigation or hearing before the Committee of Management or any Sub-Committee.

209. Should it appear to the Committee or any Sub-Committee before whom any dispute or charge or complaint is brought for disposal or investigation that the same was frivolous or vexatious or malicious the Committee or Sub-Committee dealing with the matter shall have power to fine the Member or Members by whom or at whose instance the dispute or charge or complaint was brought before the Committee or Sub-Committee.

210. If a non-member shall make any claim or complaint against a member, the Committee shall in the first place consider whether such claim or complaint is fitting for their adjudication, and in the event of their deciding in the affirmative, the non-member shall, previously to the case being heard by the Committee sign the form Reference C in the Appendix.

211. All disputes between members not affecting the general interests of the Stock Exchange which arise out of Stock Exchange transactions or are connected with Stock Exchange business and including partnership disputes shall be referred to arbitration. Each party to the dispute shall appoint an arbitrator and the Arbitrators so appointed shall appoint an Umpire; both the Arbitrators and the Umpire shall be members of the Stock Exchange and shall be members of a panel appointed by the Committee.

212. When a member dies, all debts, other obligations and claims arising out of contracts subject to the rules of the Exchange shall, if and to the extent the same are allowed by the Committee be paid by his heirs, executors and administrators before the transfer of his membership as provided in Rule 33. If they are unable to meet and pay such debts, obligations and claims, his card shall be disposed of by the Committee and the proceeds thereof shall be applied to the following purposes and in the following order of priority, *viz.* :—

First.—The payment of all fines, dues, charges and all indebtedness of such member to the Exchange or the Clearing House.

Second.—The payment of all claims arising from contracts subject to the rules of the Exchange, if and to the extent that the same shall be allowed by the Committee. If the said proceeds shall be insufficient to pay the said debts, obligations and claims, as so allowed, in full, the same shall be applied to the payment thereof *pro-rata.*

Third.—The surplus, if any, of said proceeds, shall be paid to his heirs or legal representatives upon the execution by them of such release or indemnity as the Committee may require.

213. When a member is in debt to another member the death of the creditor member and the transfer of his membership shall not affect the rights of the estate of the creditor member to share in the estate of the debtor member in the same manner and to the same extent if such creditor member had not died or his membership had not been transferred.

214. If on the death of a member, his heirs or legal representatives be desirous that his business be allowed to be continued for some time for their benefit by any specified person who is eligible for membership and shall testify such desire by letter addressed to the Secretary, then it shall be within the discretion of the Committee to permit such business to be carried on in the market for such period as the Committee may fix on behalf of such heirs or representatives.

215. All fines or penalties levied upon members for any reason shall go to the funds of the Exchange.

216. No member is allowed to advertise. The Secretary will on application forward a list of members to any one who asks for it.

217. Members who fail to pay within 14 days after notice in writing from the Committee through the Secretary, any fines or penalties imposed by the Committee in terms of any of the Rules or of the Bye-laws shall be liable to be suspended by the Committee from exercising their rights of membership until payment by them of the said fines or penalties, and any member failing to make such payment within 30 days after the expiry of the said fourteen days, shall be liable to be expelled by Resolution of the Committee.

218. All communications to the Committee or the Secretary shall be made in writing and shall be signed, and the Committee shall not take notice of or act upon any anonymous communication.

219. All questions before the Committee or any Sub-Committee shall be decided by a majority, except in cases where a specified majority is required by the Rules for the time being in force.

220. All shares, stock, debentures, Government and other securities from time to time lodged with a member by his client or constituent, or held by a member on behalf of his client or constituent, for the purpose of any business done or intended to be done by such member for such client or constituent on the Exchange and also any cash lying to his credit with the member, shall be subject to the lien of the member for any general balance of account or margin or other monies that might at any time be due by the client or constituent singly or jointly with another or others to the member in respect of business done on the Exchange for such client or constituent and shall be a general security for payment to the member of all monies (including interest, commission, brokerage, and expenses) from time to time owing by the client or constituent or

for which he may be liable singly or jointly with another or other to the member in respect of business done for such client or constituent on the Exchange. The member who is entitled to such lien or security shall be at liberty to sell, pledge or borrow money against such shares, stock, any securities or any one of them, in any way he may consider expedient, whenever he finds it necessary to do so for making payments of any money on account of the client or constituent when due or for reimbursing any moneys due to the member by such client constituent in respect of such business as aforesaid.

Commissions.

221. (1) Members shall render contract notes to non-members in respect of every bargain done for such non-members' account, stating the price at which the bargain has been done. Such contract notes shall contain a charge for commission at a rate not less than the scale laid down in Rule 224.

(2) Members may issue net contracts, should their constituents so desire, provided commission in accordance with the scale is charged and provided such contract notes state that commission is allowed for in the price.

(3) In cases where members are buying or selling their own shares the fact shall be clearly stated on the contract note. In such cases no commission may be charged.

222. A member shall not receive Brokerage from more than one Principal on a transaction carried through directly between two non-members.

223. The designation of sub-Broker is not recognised. A Broker may share his commission with an Agent provided that the share of the commission actually retained by him is not less than one-half of the Minimum Scale laid down in Rule 224.

224. The Minimum rates of brokerage to be charged by members for the purchase or sale of shares, debentures or other securities with a minimum charge of Rupee one on each transaction shall be as follows, provided however that this rule shall not apply to cases of underwriting or of the placing of New Issues :—

On Government of India Securities. On Local Government Securities.	⅛ per cent. on stock.
On Debentures of Port Trusts, Municipal Corporations, Improvement Trust, etc.	¼ per cent. on stock.
On Debentures of Railways and other Joint Stock Companies.	½ per cent. on stock.

On shares of Joint Companies :—

Contract price,

			not	exceeding	Rs.	10	Rs.	0–2–0	per	share.
exceeding	Rs.	10	but not	exceeding	Rs.	25	Rs.	0–4–0	,,	,,
,,	,,	25	,,	,,	,,	50	,,	0–8–0	,,	,,
,,	,,	50	,,	,,	,,	75	,,	0–12–0	,,	,,
,,	,,	75	,,	,,	,,	100	,,	1–0–0	,,	,,
,,	,,	100	,,	,,	,,	250	,,	1–4–0	,,	,,
,,	,,	250	,,	,,	,,	300	,,	1–8–0	,,	,,
,,	,,	300	,,	,,	,,	400	,,	2–0–0	,,	,,
,,	,,	400	,,	,,	,,	500	,,	2–8–0	,,	,,
,,	,,	500	,,	,,	,,	600	,,	3–0–0	,,	,,
,,	,,	600	,,	,,	,,	700	,,	3–8–0	,,	,,
,,	,,	700	,,	,,	,,	800	,,	4–0–0	,,	,,
,,	,,	800	,,	,,	,,	900	,,	4–8–0	,,	,,
,,	,,	900	,,	,,	,,	1,000	,,	5–0–0	,,	,,
,,	,,	1,000	,,	,,	,,	1,500	,,	6–4–0	,,	,,
,,	,,	1,500	,,	,,	,,	2,000	,,	7–8–0	,,	,,
,,	,,	2,000	,,	,,	,,	2,500	,,	8–12–0	,,	,,
,,	,,	2,500	,,	,,	,,	3,000	,,	10–0–0	,,	,,
,,	,,	3,000	,,	,,	,,	3,500	,,	11–4–0	,,	,,
,,	,,	3,500	,,	,,	,,	4,000	,,	12–8–0	,,	,,
,,	,,	4,000	,,	,,	,,	4,500	,,	13–12–0	,,	,,
,,	,,	4,500	,,	,,	,,	6,000	,,	15–0–0	,,	,,
,,	,,	6,000	¼ per cent. on value of such share.							

Provided however that a member may, at his discretion, charge commission at a rate not less than half the above scale on any transaction entered into for another member.

225. Members buying shares and prepaying calls thereon, may charge brokerage on the purchase price with amount of such calls added.

APPENDIX B.

Rules and Regulations for granting permission for Bargains in Securities of Newly Floated companies.

1. The Committee may grant permission for bargains in shares or securities of such new companies as they think fit.

2. Application for permission must be made to the Secretary of the Association in writing by the Secretary of the new company or by a member of the Exchange who desires to have quotations of such new company and such application must comply with the following conditions and requirements and with such conditions and requirements as may from time to time be prescribed by the Committee in that behalf.

3. The Secretary shall place any such application on the notice board for information of members for one week previous to its being submitted to the Committee for consideration.

4. A member who applies for permission for bargains in any new company must furnish the Committee with such full authentic information and particulars as they may require.

5. All shares issued by a company to vendors credited as fully or partly paid shall not be quoted until six months after the date fixed for granting quotation in shares or securities of the same class issued to the general public. For the purposes of this rule all shares issued as fully or partly paid to a person or persons or firm or corporation in consideration of sale or transfer of property or in consideration of services rendered in the formation or promotion of the Company, shall be deemed to be vendor's shares.

6. The Committee will grant permission under rule 199 only when the following conditions are fulfilled and particulars supplied :

(*a*) Articles of Association shall contain the following provisions :—

(*i*) That none of the funds of the company shall be employed in the purchase of, or in loans upon the security of its own shares.

(*ii*) That the borrowing powers of the Committee are limited.

(*iii*) That the non-forfeiture of dividends is secured.

(*iv*) That the common form of transfer shall be used.

(*v*) That fully paid shares shall be free from all lien.

(*b*) That a new company desirous of issuing the full number of authorised shares or a part thereof, shall have invited applications from the public and shall have allotted them unconditionally at least 33 per cent. of the number of shares issued in equal proportion of any class or kind, vendor's shares not being considered to form a part of such public allotment for the purposes of this rule. Provided however that if the company satisfies the Committee that the company invited applications from the public for at least eight days for at least 33 per cent. of the shares issued, and that the public did not apply for 33 per cent. of the number of shares issued and consequently a less number of shares than 33 per cent. is allotted to the public, the requirements of this rule shall be deemed to have been complied with. If an existing company issues shares of another new company and gives such shares as bonus to its own shareholders, the bargains in such shares of such company shall be allowed.

(*c*) That the company has been registered under the Indian Companies Act, and its prospectus has been filed with the Registrar of Joint Stock Companies in India and a copy of prospectus thus filed has been publicly advertised in papers in Bombay.

(*d*) That the prospectus has been advertised in the public press and that the subscription list has been kept open for at least four days.

(*e*) That the following particulars have been supplied in writing by the Secretary of the new company under his signature to the Exchange namely the number of shares allotted to the vendors and their distinctive numbers, the number of shares offered to the public, the number of shares applied for by the public, and the number of shares allotted to the public unconditionally pursuant to such application and the proportion of allotment, number of shares allotted for cash, the total number of allotees, and the largest number of shares applied for by and allotted to any one applicant ; in cases where the whole of the capital has not been issued at the time when shares were offered for subscription, whether the unissued shares are vendors' shares or are held in reserve for future issue.

(*f*) That the company had to undertake to split up a share certificate in lots as required by a shareholder who holds a certificate for a larger number of shares.

7. The Committee will not allow dealings in shares of a new company until it duly notifies that its Transfer Books have been opened for registration.

8. When a company has to close its Transfer Books, it will not do so during the settlement days of the Exchange, and shall comply with the request of the Exchange to close them at such time as may be convenient to the Exchange.

9. If the Exchange entertains any difficulties in respect of the bargains of a company and consequently makes reasonable suggestions to obviate such difficulties the company shall have to accept such suggestions.

APPENDIX C.

Reference by non-members.

Form of Reference by non-member :—

To the Committee of Management, Bombay Stock Exchange, Bombay.

In the Matter of a Complaint between
and

Gentlemen,

I do hereby consent to refer this matter to you, and I undertake to be bound by the said reference, and to abide by and forthwith to carry into effect your award, resolution or decision in this matter, in the same manner as if I were a member of the Bombay Stock Exchange ; and I further undertake not to institute, prosecute, or cause, or procure to be instituted, or prosecuted, or take any part in proceedings, either civil or criminal, in respect of the case submitted. And I consent that the Committee may proceed in accordance with their ordinary rules of procedure, and I undertake to be bound by the same. Also that the Committee may proceed *ex-parte* after notice, and that it shall be no objection that the members of the Committee present vary during the enquiry, or that any of them may not have heard the whole of the evidence, and any award or resolution of the Committee, signed by the President for the time being, shall be conclusive that the same was duly made or passed, and that the reference was conducted in accordance with the practice of the Committee. And I hereby agree that this letter shall be deemed to be a submission to arbitration.

Agreement Stamp.

BOMBAY : PRINTED AT THE GOVERNMENT CENTRAL PRESS.

No. 2902/A.
Finance Department,
Bombay Castle, 13th March 1924.

From,
H. F. Knight, Esquire, I.C.S.,
Deputy Secretary to the Government of Bombay,
Finance Department.

To,
The President,
The Native Share and Stock Brokers' Association, Bombay.

Sir,

I am directed to forward a copy of the Report of the Bombay Stock Exchange Enquiry Committee and to request that you will be so good as to favour Government with the views of your Association on the Report at the earliest convenient date.

I have the honour to be,
Sir,
Your most obedient servant,
(Sd.) H. F. Knight.
Deputy Secretary to the Government of Bombay,
Finance Department.

THE NATIVE SHARE & STOCK BROKERS' ASSOCIATION.
Sir Dinshaw Petit Native Brokers' Exchange Hall,
Dalal Street, Fort,
Bombay, 24th April 1924.

To,
The Deputy Secretary to the Government of Bombay,
Finance Department.

Sir,

With reference to your letter No. 2902/A of the 13th ultimo, I have the honour to forward herewith for submission to Government the accompanying copies of the two resolutions passed at the General Meeting of the Association held on the 23rd instant as well as a copy of the proceedings of the said meeting.

Trusting that the papers will be found in order and requesting an acknowledgment of the same,

I have the honour to be,
Sir,
Your most obedient servant,
(Sd.) K. R. P. Shroff.
President.

CX.9.45

THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION.

An extraordinary general meeting of the members of the above Association was held at Sir Dinshaw Petit Native Brokers' Exchange Hall at 2-30 p.m. on Wednesday the 23rd of April 1924 under the presidentship of Mr. K. R. P. Shroff.

At the commencement the President delivered the following speech :

Gentlemen, the Report of the Enquiry Committee has been published and I believe that you all have perused the same. You, I presume, have come here in the hope of knowing my views on the Report, but I regret that I shall have to disappoint you. We shall forward our views and criticism to Government after the Report has been completely discussed. It is not possible to discuss fully the Report at one meeting during the short period of an hour or two. Moreover, it is not possible for us to accept all the recommendations made by the Committee. As I have stated before we shall accept the recommendations which appear to us to be reasonable and practicable and conducive to the interest of *bona fide* investors. But under no circumstances we shall agree to those recommendations which are obviously calculated to stimulate gambling by syndicates or individuals who operate in our Exchange and who, whether Bulls or Bears, are a source of insidious danger to the investing public. Further, we shall not agree with that part of the Report which is elaborated with the object of encroaching on our rights of internal management. I mean recommendations Nos. 1. 4, 5, 6. Of course, we understand our work much better than outsiders. We have never arrogated to ourselves perfection. On the contrary, we have frankly recognised what are our defects which we may remedy as time and opportunity offer. You may certainly rely upon adopting suggestions which will remedy the defects pointed out in the Report. I mean recommendations Nos. 2, 7, 9, 10, 13, 14, 19, 20. We are not unreasonable, neither do we claim infallibility. At the same time all the hollow uproar and noise that was created by interested and selfish people on behalf of the public have died their natural death. There is no mention in the report as to what were the so-called complaints of the public neither of the remedial measures to be adopted. Except complaints regarding corners and holidays to which we were alive none are referred to by the Committee. Here is what Mr. Desai observes in his separate report (para 17 of the report):—

> " Perhaps the only complaint (if it can be so called) which is repeated in the evidence of most of the witnesses other than Brokers relates to the excessive number of days on which the Exchange is closed for business".

In the Majority Report no remedy has been suggested regarding " Corners ". Only it is recommended that Rule 26 should be abolished. Will this prevent corners ? Certainly not. Government however is emphatically urged to prohibit by legislation all forward trading in stocks and shares provided we fail to accept this recommendation, which, to use the words of Mr. Desai, is " an idle threat ".

Beyond this threat there is nothing and I really wonder that they did not pursue their object to a logical end by suggesting the abolition of the Exchange itself. If that had been suggested, corners would have been done away with; but we do not believe that corners are impossible even with cash business. The Committee themselves admit the possibility of corners under cash transactions:—

> "It is suggested that if the security market in Bombay were established on a cash basis as in Calcutta and Madras corners would cease. Speculation would not cease for money and scrip can both be borrowed but in a market on a cash basis a corner is, if not impossible, a matter of great difficulty."

Gentlemen, the Committtee are constrained to admit that speculation will not die with the closing of forward business. Yet so logical is, this Committee that it pretends to hold out the "idle threat" that forward business shall have to be closed. But its absurdity is reached when it says that we shall be in a position to speculate even in absence of forward business because money and scrip can both be borrowed. From the outset it is my opinion that our objects will not be realised by rule 26. A staunch advocate as I am of free market, I am neither a Bull nor a Bear. It follows, therefore, that it is not my interest to be a partisan of either a bull or a bear party. Nevertheless I am not aware of having stated that we do not stand in need of such powers as those conferred by rule 26. The Exchange disclaims all responsibility to protect the bears. In trying to intervene it is simply discharging a moral duty but certainly not to save the bears from losses. We deem it our duty not to allow any syndicate to inveigle poor but ignorant and credulous investors by questionable devices and to do all to thwart efforts in that direction. I admit that to be completely successful in this direction will never be possible; but the aim of the Stock Exchange should be to try to achieve that ideal. In the struggle for that attainment and. in the interest of all concerned, it is absolutely necessary and desirable to have the following powers and no sane man will deny the expediency of the same:

1. To suspend the buying-in of any security in the general interest.
2. To suspend future dealings in any security for cash or for forward.

In fact every exchange has conferred on its committee such powers and we feel their necessity if the *bona fide* investing public is to be protected from the gambling syndicate. We no doubt enjoy at present these powers. Provided we retain these powers, I have personally no objection to the recommendation for abolishing rule 26. It is not necessary to have a power to fix a maximum rate above which dealings cannot be allowed. When I had an opportunity to discuss this subject with Sir Willfrid Atlay I pointed out to him how a change might be effected in that rule 26. This suggestion of mine which I have just mentioned to you was approved and pronounced reasonable by Sir Wilfrid. Under his instructions Mr. Green drafted out a rule in my presence according to my suggestions giving us powers to suspend buying-in as well as further dealings in any security. The Committee approved of the same after making some alterations in the wording thereof to which I was also agreeable. After some days Sir Wilfrid gave me for my personal perusal a copy of the recommendations with which we were furnished later on. In the recommendation No. 18 thereof instead of the words "Rule no. 26 should be repealed", it was stated that "Rule No. 26 should be substituted by rule no. 67". This rule as I have just told you was accepted by Sir Wilfrid in consultation with me. Gentlemen, what does this show? That as an experienced stock exchange man Sir Wilfrid did not see anything extraordinary in the rule in view of the peculiar circumstances in which our market is placed. But the Committee at the last moment strangely changed their mind for reasons not known to us but which may be guessed, and recommended a repeal of the said rule. The statement made by Mr. Desai in his Minority Report in para 30 is I believe in reference to it.

"It appears to me that the rule in the terms I have suggested is a full solution of all the difficulties which have been suggested and *appeared at one stage to find favour even with the Majority of the Committee.* I notice however that their final conclusion is a recommendation for the removal of the said rule."

You will thus see that the amendment suggested by Mr. Desai (except the wording) is in spirit and substance identical with that suggested by me to Sir Wilfrid. I, therefore, venture to think that the suggestions made by Mr. Desai will be unanimously carried. The *bona fide* public will learn for themselves how far we are agreeable to adopt practicable and reasonable suggestions made to us.

I will now come to another thing. The public are justified in their complaint against the frequent closing of our Exchange and we ought to make some change therein. I suggest that instead of closing our Exchange for a whole day in honour of the memory of a deceased member we should keep it closed after 2 p.m. I fully trust that you will unanimously accept my proposal.

I think I cannot refrain from expresing my sincere opinion that Mr. Desai has discharged his duty with an open mind as a member of the Committee. He has thus rendered a great service to the investing public with a single eye to their good. I trust that after you have submitted to Government our criticism on the Report you will take the necessary steps to record your sense of appreciation of the just and impartial spirit in which he has performed his responsible duty.

Now I move the following resolutions which I hope you will pass with unanimity:—

RESOLUTIONS.

RESOLVED

(1) That this Association approves of and adopts substantially the recommendations contained in the Minority Report of the Stock Exchange Enquiry Committee submitted by Mr. Bhulabhai J. Desai and do take steps at an early date to give effect to those recommendations.

(2) That the President be authorised to submit a detailed criticism of the Majority Report of the Stock Exchange Enquiry Committee, after it has been debated and approved by the members at a meeting to be convened hereafter.

Both the resolutions were duly seconded and on being put to vote were passed unanimously.

Mr. Rajendra Somnarayan then proposed that copies of the above resolutions should be forwarded to Government.

The meeting then came to a close.

THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION.

Sir Dinshaw Petit Native Brokers'
Exchange Hall,
DALAL STREET, FORT,
POST BOX No. 533.
BOMBAY, 7th July 1924.

To,

G. WILES, ESQ., I.C.S.,
Secretary to the Government of Bombay,
Finance Department.

Sir,

With reference to your letter No. 2902-A of 8th May last, I have t honour to forward herewith our criticism on and objections to the Report a Recommendations of the Bombay Stock Exchange Enquiry Committee f submission to and consideration of H. E. The Governor of Bombay in Council.

I have the honour to be,
Sir,
Your most obedient servant,

K. R. P. SHROFF,
President.

OBJECTIONS

OF THE

Native Share & Stock Brokers' Association

TO AND ITS

CRITICISM

ON THE

REPORT AND RECOMMENDATIONS

OF THE

Bombay Stock Exchange Enquiry Committee

SUBMITTED TO

H. E. THE GOVERNOR OF BOMBAY IN COUNCIL.

The Bombay Stock Exchange Enquiry Committee was constituted by Government Resolution No. 2628 in the Finance Department dated 14th September 1923, pursuant to a resolution passed by the Bombay Legislative Council on the 6th October 1922.

The Association fails to understand why the Government took nearly a year to appoint such a committee. The only inference that can be drawn is that Government had probably made its own private enquiries during the interval but failed to placate the Association as was fondly wished for by those who were alleged to be the greatest sinners.

The Association observed in its Official Representation as under:—

When the resolution for the appointment of an Enquiry Committee regarding the Share Bazaar was moved at the Legislative Council, several facts were misrepresented, such as "Unlike the London Stock Exchange, any body who purchases a membership card at the auction sale can on a deposit of Rs. 30,000 become a member of the Stock Exchange and no certificate as to the status or character is needed." We have cleared up this matter in our letter to His Excellency dated 18th July 1923 in the last paragraph at page 4 thereof.

It was owing to such a misrepresentation of facts and to none in the Council being sufficiently conversant with the true facts that this resolution came to be adopted. We believe that such a resolution would never have been passed, had the true facts been placed before the Council. Rao Bahadur G. K. Chitale remarked in the Legislative Council "Sir, because certain people have been gambling in shares, and because their operations are likely to bring ruin to others, to my mind that is not a very good ground or proper occasion on which this House should pronounce a definite opinion. After all, a *good many of my honourable friends to whom I have spoken know nothing about this matter*. We have never gambled—we do not know what are these shares and these bears and these bulls—we merely invest a little money and we get our interest. Who gambles in them God alone knows." (Page 42 of the Report)

The following are the findings of the Committee in the report:—

"In view of the vast increase of business and the violent fluctuations in prices which marked the boom years, it cannot be said that defaults were ever such as to show that the enquiry into the status and character which is said to precede the admission to membership was conducted by the Committee of Management in a perfunctory or careless manner. We, therefore, suggest no alteration in the draft rules of the Association relating to the admission of members."—Majority Report.

"Mr. Haveliwalla appeared as a witness before the Committee and frankly confessed that he had no knowledge of the rules, regulations or practices of the Association or how far such rules and practices were responsible for the evil of which he complained. When the said resolution was moved in the Council a certain amount of uninformed criticism took place but it was admitted that nobody was then in a position to say whether the Association was responsible for the state of things complained of.

"It also appears from the evidence recorded before the Committee that notwithstanding the immense speculation which took place through the Association, the members of the Association met their obligations to their clients except to a very insignificant extent and that only one member of the Stock Exchange was guilty of fraud in his dealings and absconded from Bombay.

"In view of what I have stated regarding the manner in which the obligations have been met by the members of the Association towards their clients, it is quite unnecessary to suggest any alterations relating to the manner in which the inquiry as to the status and sufficiency of a candidate before admission."—Minority Report.

It is gratifying to note that the above statement of the Association is confirmed by the unanimous opinion of the Committee.

The following is an extract from Mr. Haveliwalla's evidence which requires no comment from the Association :—

EXTRACTS FROM MR. M. A. HAVELIVALA'S ORAL EVIDENCE.

Sir Wilfrid Atlay :—You say "It is a matter of common knowledge in Bombay that the dealings on the Stock Exchange in recent years assumed the shape of a deliberate wager." That means there was a gamble for differences ?

Mr. Havelivala :—Yes.

Q.—Is it from your own knowledge, or is it only more or less hearsay ?

A.—*Mostly hearsay and ordinary public talk.*

Sir Fazulbhoy Currimbhoy :—What was your object when you moved your resolution in the Council ? Was it to stop speculation or to improve the system of management of the Stock Exchange ?

Mr. Havelivala :—I do not claim to know much about the system at all. I wanted to stop speculation. What I said at the Council while moving the resolution was all based *on hearsay and on what appeared in papers and on public protests.*

Sir Purshotamdas Thakurdas :—Have you any complaints to make regarding the normal working of the Stock Exchange when there is no speculation ?

Mr. Havelivala :—I have no definite or intimate knowledge of the working of the Stock Exchange.

Q.—The fact that you moved the resolution on which Government appointed this Committee made one hope that you perhaps could talk on the Stock Exchange from various points of view—when there is speculation on, and in normal times ?

A.—I am not in a position to say anything about normal times. When the speculation was on during those years, I thought it was my duty to move the resolution.

Q.—Have you anything to add about the Stock Exchange declaring a corner and fixing prices ?

A.—I have nothing to say about it.

The following is an extract from the oral evidence of the President :—

Mr. Bhulabhai J. Desai :—Are you aware that Mr. Havelivala told this Committee that when he moved his resolution in the Council the only point present to his mind was what he called speculation ?

Mr. Shroff :—I read so.

Q.—Are you aware that he said that he had no knowledge of the working of the Stock Exchange ?

A.—Yes. He said it was hearsay.

Q.—So, the resolution in the Council, so far as the mover was concerned, was mainly due to an idea that the loss caused by reckless speculation could be repaired by a committee and that rules could be provided to prevent such a thing ?

A.—Yes.

Q.—He wanted a committee for the purpose of providing rules, so that the loss caused by reckless speculation may not fall upon such persons ?

A.—Yes.

Q.—The whole of that resolution was founded on an utter misconception ?

A.—That is what we have said in our representation. His ground had no foundation.

Mr. Naoroji M. Dumasia, while supporting the resolution, made the following remarks in the Council:—

> In order to have the monopoly of power, the board of management or what is called the board of directors, formed a caucus last year in order to shut out certain members from becoming members of the board. They therefore hurriedly passed a rule that those members who were not of five years' standing should not be eligible for election."

Mr. Dumasia further remarked:—

> I may say that the whole constitution is rotten to the core, its rules are antiquated, illiberal and autocratic.

Mr. Dumasia's remarks were also unreasonable and unjustifiable as will be evident from the Majority Report of the Committee:—

> We see nothing unreasonable in the present rules that casual vacancies in the Committee of Management should be filled by election by the members of the Association or that a member of the Committee of Management should be a member of the Association of at least 5 years' standing.
>
> There are in the draft rules and regulations of the Association many excellent rules and regulations.
>
> We append to this report rules and regulations which we recommend to the Association for adoption and which are largely based on their own draft rules.

As a matter of fact the Committee have unanimously approved of our draft rules and regulations with some alterations or additions hear and there and the constitution remains almost unchanged. The suggested draft rules are nothing more or less than a collection and repetition of existing rules with slight modifications and additions.

From the findings of the Committee as above stated the Government and the public will clearly see that the Council, having little or no knowledge of the Share Bazaar, was almost wholly misled when it passed the resolution.

The Association are however glad that the action of the Council led up to the enquiry which has now established the unfounded character of the original allegations.

The Association now proceed to point out that the conduct and action of the Government after the resolution was passed by the Council were equally unjustifiable.

On the 28th June 1923, the President and the members of the Committee had an interview with H. E. the Governor pursuant to his desire. During the interview H. E. declined to enter into any discussion as to whether grievances and complaints made in and out of the Legislative Council were ill-founded or well-founded. H. E. was only anxious to know what changes and reforms the Association were willing to introduce and adopt so that his government might not intervene. In their letter of 19th July 1923 the Association informed H. E. of what the Association was prepared to undertake to place on a better footing. Thereupon H. E. invited the President at Ganeshkhind on the 28th July 1923 for an interview whereat the former expressed his dissatisfaction at the reply of the Association and suggested that a Committee of Appeal or Control, consisting of a member or two of the Association, a representative of the Banks in Bombay and a member of the Indian Merchants' Chamber of Commerce and Mill Owners' Association should be appointed. This was the only reform the Government suggested. H. E. added that he was not anxious to appoint a Committee of Enquiry so as "to wash dirty linen in the public". Should however the Association decline to adopt the suggestion he would appoint a committee.

The Association being firmly of belief that in as much as H. E. was in all probability influenced to suggest such a reform by reason of the unverified allegations made against the Association ; they of course declined to accept the reform suggested. Indeed the Association justly objected to any sort of " control of or interference from outsiders not conversant with the intricate working of the Stock Exchange or who may during times of boom abuse their position on the Exchange and rob wealthy investors and grind down the poor, as was done by well known persons though outside the Exchange, during the last boom ".

The Association accordingly replied as under in its letter to the Government dated 6th August 1923 :—

> My Committee strongly feels that the critics of the Stock Exchange have from selfish motives long found fault with the Association, because of its atmosphere of aloofness, its silence under attack, and its apparent unwillingness to defend itself against adverse comments. This reticence has no doubt caused harm to the Association. My Committee is therefore of opinion that in justice to the Association, the affairs of my Association, its purposes and its methods and usages may be properly submitted for investigation to competent and disinterested authority in manner that may enlighten the public and the result carry conviction. My Committee therefore has no objection whatsoever but on the contrary will welcome any step the Government may take to appoint a committee of independent men, including an expert from London Stock Exchange, to scrutinize the affairs of my Association and to examine the grievances of which complaints may have been made to Government and to submit recommendations for reforms and changes. The Association and the public both will be the gainer by such public investigations.

The Committee was thus appointed and the Association's only regret is that the Majority in their opinion did not consist of thoroughly disinterested persons fully conversant with the complicated questions and intricate working of the Exchange.

Now what are the findings of the Committee ? This ; that the Committee have unanimously rejected the suggestions made by the Government.

Majority Report says :—

> In the course of our enquiry certain measures of reform and control have been suggested to us. The suggestion most frequently made was that the representatives of various commercial associations of Bombay and of the Banks should participate in the management of the affairs of the Association in various degrees. It is suggested that in this way conflicting interests will be reconciled, and that wide experience and assistance of a disinterested nature will be made available to the Association in the management of its affairs. But not the least objection to all such suggestions is that the Association would bitterly resent the participation in the management of its affairs of those who are not members of the Association, while in practice it would appear difficult to find men possessing the requisite experience, skill and leisure. We do not think this suggestion is feasible in practice.

Minority Report says :—

> I have not considered it necessary to discuss several proposals made before us in the evidence relating to a super committee and other forms of outside control over the Association as every one of them has been rejected even by the Majority.

The public and the Government will thus see that the Association were quite justified in refusing to accept the reform suggested by the Government. It was in reality an ill conceived and undesirable proposal based on unfounded and fallacious reports circulated in various ways by designing persons, intent, no doubt, on capturing the Stock Exchange organization.

We shall now examine the complaints of the public and how far the Association was responsible for them.

The Association in its letter to the Government dated 18th July 1923 observed as under:—

Nevertheless there has been a clamour through the Press and commotion in the Council against the Stock Exchange. My Committee, however, submits that most of those, who raise such clamour and commotion are persons, or are led by persons, who had made speculative transactions beyond their means and had suffered losses in consequence of their own desperate actions and many of those who have criticised the actions of the Stock Exchange, have not realised or appreciated the distinction between the consequences arising from the operations of the rules of the Stock Exchange and the methods of carrying out the transactions, and the consequences arising out of the acts of the speculators over whose organisation and over whose conduct the Association has no control! It is a fact that public prejudice against the Stock Exchanges in the whole world, although almost never based upon actual facts or upon any real knowledge of the Science of Economics, is nevertheless wide spread and deeply rooted and taking advantage of that, the indignant speculators and their henchmen leave no stone unturned to wantonly attack the Association and its officers without the least justification except that the action adopted by the Association in the interest of the investing public had frustrated them in their avaricious designs. (Page 74 of the Report.)

The Minority Report supports the statement of the Association thus:—

Large numbers of persons engaged in other modest trades and professions thoughtlessly believed that fortunes were to be easily made on the Stock Exchange, and after the fever had subsided when the depression came and losses occurred there was a discontent for which blame was put upon people other than those responsible.

If on economic or ethical grounds speculation or forward dealings deserve to be altogether stopped those considerations have got nothing to do with the question how far the rules or practices of the Association have led to ruinous speculation. There is nothing in the rules and practices of the Association which is shown to have resulted in such condition but taking advantage of the fact that a cry was raised by disappointed speculators who were the authors of their own ruin, the capitalist interests have availed themselves of the situation to support their unfounded complaints against the Association on account of their disappointment in not having been able to realise their wild expectations from successful corners. It is significant to observe that those who directly or indirectly were interested in the bullish condition of the market and gave evidence before the Committee stated that they had no complaints against the Association, save and except the existence and the enforcement of the rule against corners known as Rule 26, and one of such witnesses stated that if the said rule is abolished he had no complaint against the Association. In other words the complaint of the speculators, who were the authors of their own ruin reduces itself to nothing and the complaint of the bullish element is confined to the existence and enforcement of Rule 26. When the matter is thus analysed it appears to be clear that there is no interested or irregular control of business by the Association against which the investing public require to be protected.

Even the Majority consider "this criticism to be misconceived and this complaint unjustified" in some small part, but for the rest they think "this criticism and complaint to be well founded". They report :—

> It is the criticism and complaint of those who, without justification and without knowledge, have speculated heavily and have lost. Such criticism and complaint have been heard before in other countries and have of late yeas become more insistent in consequence of that reckless speculation which seems to follow in the train of war. Thus some who blame the Association should more justly blame themselves.

At an extraordinary general meeting of the Association held on the 21st August 1923, the President in his speech remarked that :

> Those who complain against us in press and elsewhere are not *bona fide* investors but mere speculators. These speculators having failed in their aims criticise our bazaar in any way they like. It is due to the manipulations engineered by these speculators that false allegations are spread against us. The press even gives credence to such allegations. Such critics do not dare to give out their names. The fact that they write anonymous letters and articles in papers indicates that they are impotent and cowards. Why should they not come out in their true names if they have a real desire to serve the public.. The public will hail them if they do so but they know that they work for their own interest in the name of the public and if they were to disclose their names they would be hooted out by the public. Some of the writers are not even acquainted with the rudiments of the science of the Stock Exchange. (Page 80 of the Report.)

He further remarked at a meeting held on the 18th September 1928 that :

> When parties concerned have lodged their complaints with the Governor in the name of the public and when the cost of the appointment of this committee will come from public funds, it stands to reason that the public should know every particular regarding the investigation. The public will get a chance of knowing the names of the persons, who would come before the committee as benefactors of the public to lay their grievances before it. The public will also know what their complaints are and whether the complainants are *bona fide* investors or mere speculators and whether among the complainants there are any excepting those who have promoted new companies and accepting offices as Directors and Agents have ultimately despoiled the public of their wealth. (Page 83 of the Report.)

These statements have been proved to be quite true. It appears that with the appointment of the Atlay Committee, the would-be critics who were so hoarse before in their cry were dumb.

Of all the witnesses who were examined by the Committee, not a single one came forward to lodge any complaint except with regard to the curtailment of numerous holidays and Rule No. 26 for corners.

It is gratifying to note that *bona fide* investing public have no grievances whatever against the Association but they are satisfied with them.

What Sir Dinshaw E. Wacha stated in his written representation is valuable in as much as he is thoroughly conversant with the history of the Association since the days cf the mad share speculation of 1864-5. There is no one in India who has better knowledge and experience of this gruesome subject. He stated :

> "At the outset, I beg leave to observe that personally I have had to do as little as possible with share market and the exchange itself. But so far as I have had to transact business with the recognised brokers of the Association in my official capacity, in diverse directions during the last forty years and upwards, I cannot recall any instance in which I can consciously say I had met with dissatisfaction."

The following is an excerpt from the evidence of Mr. Naoroji M. Dumasia, the supporter of the Council resolution. It will be seen that he had nothing of importance to complain of and he had nothing to object were rule 26 to be deleted :—

EXTRACTS FROM THE EVIDENCE OF MR. N. M. DUMASIA.

Mr. Bhulabhai J. Desai :—Your opinion from such knowledge as you have got is that, apart from the existence of rule 26 and its application, the Stock Exchange may be allowed to manage its own affairs ?

Mr. N. M. Dumasia :—I think it can be allowed, as other rules concern members only. They can do whatever they like.

Q.—I take it your sole objection is to the existence of rule 26 ?

A.—There are several rules to which I object but I would allow. I am not particular about them.

Q.—Your objection boils down to rule 26.

A.—Yes.

The following evidence of Mr. Manu Subedar, representative of the Indian Merchants' Chamber is to the same effect:—

Sir Fazulbhoy Currimbhoy :—Would you tell me what the general complaint is ? The whole complaint seems to be on account of clause 26 ?

Mr. Manu Subedar :—It mainly arises out of clause 26.

As regards the closing on religious holidays, the days are fixed previously at the commencement of every year and the public has due notice thereof.

The Association in its letter to the Government dated 18th July 1923 pointed out thus:—

As regards the closing on holidays the days are fixed previously at the commencement of the year and the public has due notice thereof as well of the days on which the Exchange is closed for the settlement of accounts. As to the complaint that the holidays are too numerous my Committee beg to point out that the Exchange is composed of different communities, having their respective holidays and the holidays of different communities have accordingly been recognised by the Association and hence the number of holidays is numerically more than holidays permitted to the Banks but in this connection my Committee beg leave to point out that almost all private, public and even Government offices as well as the Calcutta Stock Exchange enjoy sectional holidays in addition to the Bank holidays declared under the Negotiable Instruments Act and my Association has similarly about 14 such holidays sanctioned at a General Meeting. When any such holiday falls on a Sunday the Association does not observe such a holiday on the following Monday, as is the case with the London Exchange where also extra holidays besides Bank holidays are allowed. In view of the members of the Association being of diverse communities there is no possibility of curtailing the existing holidays or the closing on the days on which the accounts have to be settled. (Page 74 of the Report.)

The Majority Report says as under:—

We realise the difficulties imposed upon the Association by the fact that the members of the Association are also members of different religions and require for religious observances different days. We desire to make no recommendation which will conflict with religious sentiment and we think that the preservation of that spirit of religious tolerance which is so proud a characteristic of this country is more than adequate compensation for any material loss or inconvenience thereby occasioned. Hindus, Muhammadans, Parsis, Jews and Jains all desire that, on the days on which religious observance prevents their personal attendance on the Exchange no business should be transacted so that no man should suffer loss by reason of his faithful adherence to the observances of his religion. So soon as the Exchange exceeds, in favour of the members of any one religion, even by one day, the list of gazetted holidays, so soon will members of other religions demand from their fellow members a like consideration. We think it must be left to the Association to reconcile the conflicting demands of the public and of religion.

The Association note with satisfaction that the Committee unanimously "realise the difficulties imposed upon the Association by the fact that the members of the Association are also members of different religions and require for religious observances different days". Those who complained that the Association should have no extra holidays other than Bank holidays will be disappointed with the views expressed by the Committee. In their prejudice against the Association they quite forgot that the Stock Exchange in Bombay is not the only Exchange which enjoys religious holidays. Even the London Stock Exchange prescribes similar holidays in addition to Bank holidays.

As regards the closing of the Exchange on settlement days, it may be observed, that the question is purely one of practicality The Committee, the Association regret to say, failed to recognise the great disadvantage to the investing public of keeping the market open soon after the making-up price is fixed till payment. The Enquiry Committee has nowhere pointed out how these closing days can be conveniently curtailed. Only it has drawn the attention of the Association to a suggestion made by a witness, Mr. Jamnadas Morarji, a member of the Association. The Committee absurdly refers to it as a "system of settlement". What that "system" is it is difficult to conjecture. The Committee have not offered any opinion of their own whether it is really workable. Apart from the Committee's own omission to propound it, it is surprising that Mr. Jamnadas Morarji, who besides being a member of the Association was also a member of the Clearing House Committee, has never explained what it is and how it may be practically worked. The Association would feel glad if he or any other member could enlighten his colleagues on its merits, so that it might be adopted if demonstrated to be quite feasible in practice.

In an appendix some extracts from his evidence are given. But the Association regret to say they are in no way helpful to carry out the object he has in view. The Association knew well enough that a committee of four members including Mr. Jamnadas Morarji assisted by the late Mr. F. S. White of the Bank of India Ltd. devised *practically* the whole scheme of working the Clearing House and carried it to completion. The success of smooth working of the Clearing House is chiefly due to their intelligent efforts.

In the opinion of the Association Mr. Jamnadas's suggestion is wholly impractical. The public should bear in mind that after the making-up price is fixed the market has necessarily to be closed for two days for settlement of contracts. During these two days, accounts are made out and compared, differences adjusted, shares delivered to the Clearing House, claims are collected, balance sheets are prepared for difference paid and received as well as for the values of shares delivered and taken delivery of and the final payment, if any, made. This work entails nothing short of two days. Next, the Bank of India requires a day to declare the result of the clearing for payments and delivery of shares. Formerly it took two days for the Bank to finish the job but at present owing to the considerable reduction in the volume of business, it is finished in a day. Mr. Jamnadas would have the work done in a single day which unavoidably takes up three days to complete. It is superfluous to state that it *cannot* be done. His idea in his own words seems to have been that the "business done on the fifth, sixth and seventh days should be done on the fifth." By all means let the variety of work of settlement be completed in one day if it is possible and practicable. None will be gladder than the Association. But the Association cannot be asked to accomplish what from practical experience has been physically impossible. This suggestion or "scheme" as it is strangely designated, recalls to one's mind the theory of that personage who believed that a cottage that can be built by 50 workmen in 10 days can be completed by 500 in one day. The theory may be deemed mathematically sound but hardly workable in practice.

The Association need hardly assure the Government and the public that it is fully mindful of the desirability that "an Exchange should be open both for cash and forward business during settlement" and does "try to shape their policy towards this end". At the same time the following observation which the President made and the evidence of Mr. A. G. Gray point out the difficulties the Association have in their way:—

Sir Wilfrid Atlay:—Then you talk about the closing of the Exchange for a settlement. That is of course an affair for the Association to settle with the public.

Mr. Shroff:—That is one of the grievances of the public which your Committee should look into.

Q.—But you say it is impossible to do anything in the matter.

A.—Unless the public will help us we cannot reduce the number of days the market is closed.

Q.—You do not suggest that at present moment nothing could be done?

A.—If the public will give us cheques earlier and if the cheques are certified and the payment is made one day in advance, we can reduce one day.

Q.—Do you yourself consider that it is really necessary to close for three days during the settlement?

A.—Yes. It is absolutely necessary; we cannot avoid it. If the Clearing House declares the result the same day, *i.e.*, next day after the payment day, we can avoid the third day.

Q.—You cannot get your tickets from the Clearing House: that is why you close?

A.—Yes.

Q.—I cannot yet see why it should close for three days? I can understand the first two days?

Mr. Shroff:—Because the Clearing House is not able to declare the result. We are trying to protect the public; if the Stock Exchange comes as a body into the difficulty, it is the public who are to be the losers. If there is a havoc and 200 members say they are not able to meet their liabilities to the public and if there is this difficulty and if such difficulty is created what would happen? The public would lose. Many of the brokers might be involved in such a case and suffer. We have therefore to watch our interest first. *If the public want that facility, the public must be prepared to lose.* If they are satisfied that a party with whom we dealt was *sound* but on account of circumstances became defaulter and we are not held responsible for it and we cannot pay any loss for him, *we are prepared to keep the market open in the interest of the public.* But the public must see that facility is given to us for our protection and at the same time public do not understand it at all and therefore they grudge.

Q.—You close one day for your own protection?

A.—I say for the protection of the public. If we are involved, no doubt the public are the real sufferers.

Mr. Dalal:—So, you think there is so much unhealthy and excessive speculation that you are afraid to keep the market open after declaring the making-up prices?

Mr. Shroff:—Yes; gamblers may cause such trouble over which we have no control.

I would like to suggest at this stage that we could reduce this one day easily if the public are prepared to pay to their brokers one day before the payment day, so that they can realise their proceeds, put them into their credit with Bank of India and draw their own cheques. We brokers are not very rich people and cannot afford to pay for the shares that are to be taken up by the public. One investor might take up shares worth Rs. 5 to 7 lakhs, and if the amount is not forthcoming a day before payment day, and it has to be put through the clearing and a cheque by a broker has to be drawn against it, it is not possible to make payment on the pay-day. As they do it in New York, if all the banks are prepared to certify the cheques of their clients on payment day or the day before payment day, so that they can easily pass through our Clearing House before going through the bankers' clearing no doubt this would facilitate the matter. *We want the co-operation of the banks and the public*, but the public may say that they would lose interest for one day as most of them have overdraft accounts and they are not prepared to do it. The public cannot have the convenience at the sacrifice of the Association which is not a philanthrophic body.

Mr. Dalal :—May I suggest that if you had more clerks, the delivery of shares could go on without disturbing the business of the market ?

A.—We have enough staff and more than enough. We cannot be expected to engage extra staff for one day's work. For ordinary business, it is more than enough.

Q.—You have not a sufficient number of clerks for settlement ?

A.—You may suggest that the Bank of India should engage 100 clerks instead of 50 in order to give the result of the Clearing House in time. If the public are prepared to pay some of the clearing charges, we would be willing to do it.

EXTRACTS FROM MR. A. G. GRAY'S ORAL EVIDENCE.

Sir Fazulbhoy Currimbhoy :—Do you think that clearing days can be reduced ?

Mr. A. G. Gray :—I think so, if the clients pay to the brokers money one day in advance. From any part of England, you can get the post delivered in London the next morning. Here there is considerable delay in the post. There is bound to be more delay in this country : the country is larger and transport is slow.

The Association deem it necessary to draw the attention of Government and the public to the following views expressed in their official representation :—

The Association remains closed only for business three days every month for settlement after the making-up prices are fixed by the Committee. This is done not with a view to facilitate the work of clearing or to see the convenience of members' clerks but it is absolutely necessary to do so with a view to safeguard the interest of all the members and their clients—the public. If the public, that is, those who operate on the Stock Exchange, *are themselves prepared to suffer the consequences that may arise by keeping the market open, the Association has not the slightest objection to throw the market open during the settlement.* It is believed by many ignorant people not conversant with the affairs of the Bombay Stock Exchange, that the closing of the market during the settlement is to facilitate the work of clearing and for the convenience of the clerks whose number is not sufficient in a broker's office. This is a false notion and opposed to the actual fact. There is absolutely no clerical work the day after the pay day. The clerks enjoy it as a holiday. It is therefore evident that the object of the Association for keeping the market closed is for the safety of all involved in the clearing—members and the public and not for the convenience of the Association as is alleged. The Association neither gains nor gets any advantage by keeping the market closed.

The Association however will make every effort to reduce the closing days for settlement. Though the Association has fixed three days for delivery of shares to the Clearing House, the bulk of shares are generally delivered only on the last day by the public and banks on behalf of their clients. Besides there are difficulties in our ways. To facilitate the work of the Stock Exchange and the operators thereon, the machinery of Government like Posts and Telegraphs and that of telephone by the Telephone Company, ought to give regular and efficient service to the public whereas the grievances of the public are that the Telephone Company gives worst possible service and they are not at all satisfied with it and as regards the services of Posts and Telegraphs, it is the duty of Government to greatly improve them. It is not only the Stock Exchange but commerce and industry also suffer. The Stock Exchange has its own shortcomings like all other institutions and is prepared for such practical improvements as may be suggested. But the Committee, Association trusts, will recommend to Government to improve the above.

It will be thus seen that each organisation purporting to do public service has its own defects ; and if each were to do its respective duty to the satisfaction of the public there will be hardly any complaints or grievances.

It is however gratifying to note that the Atlay Committee " realise the limitations imposed upon the Association in their setlement by local conditions and that the facilities afforded in India by telephone, telegraph and the post are limited ". The Atlay Committee also recognise the force of the contention urged by the Association that in the carrying out of any such change the co-operation of the banks and the public is essential and that without such co-operation no change in the present system of settlement is possible. The Atlay Committee further recognise that " local practice results from local conditions and is generally appropriate to them ". The Committee is of opinion that :

But we recognise the force in the contention of the Association that in the carrying out of any such change the co-operation of the banks and of the public is essential and that without such co-operation no change in the present system of setlement is possible. We also recognise that local practice results from local conditions and is generally appropriate to them. But the inconvenience accruing to the public would be considerably mitigated if the Association publish at the beginning of the year the days on which it will close for settlement and adhere strictly to those days throughout the year.

The Association fail to understand how inconvenience, if any, can be mitigated by publishing the settlement days a year in advance instead of a month or two as is the practice at present.

" To meet the public desire ", the Association have already passed a resolution to close the Exchange an hour earlier on the death of a member, " though in a voluntary profession it is not possible to compel people to work if they do not so desire ", as pointed out in the Minority Report.

The following is an extract from the oral evidence of Mr. Manu Subedar, a representative of Indian Merchants' Chamber :—

Sir Purshottamdas Thakurdas :—Have you in your mind any trivial purpose for which the Exchange is being closed at present ?

Mr. Manu Subedar :—I am under the impression that the Exchange was closed on one occasion because there was a row between some Jains and some Eurasian boys who had been killing pigeons.

Q.—That may be put down at the door of religious sentiment. The members of the Exchange are Jains and they thought that life was being taken which was avoidable. Supposing one of the religious priests was dead and they closed, would you object to it ?

A.—I must say that it is difficult for any Association to have hard and fast rules on this question. If the majority of the members of the Association are of the opinion that a certain event has occurred which is so big or so sad that they should close business as mark of honour, it is inevitable that they will do whether rules are framed or not. There is no rule at present which would secure the stoppage of all business in case Royalty dies or some such thing happens ; it automatically takes place. Where it is a question of the dominant sentiment of a community that it should be closed, it is no use providing rules.

Capt. Sassoon :—Let us assume that the Managing Committee decides that for the death of a member the bazaar should be closed only for half a day, can they force the members of the Exchange to continue doing business if they do not wish ?

Mr. Manu Subedar :—I do not think any rule is of any avail where the entire body non-co-operate with that rule.

The Association now beg to draw the attention of Government and the public to the following para from the speech of their President published on page 86th of the report of the Enquiry Committee:

> We were eager to rectify real abuses if such were found to exist and pointed out by reliable persons or authorities. We have never up to now received any suggestion or any complaint whatsoever from any quarter. There was only a hue and cry in a section of the Press from unknown persons, regarding the closing of the Exchange and the subject of corner. Not one practical a suggestion has ever been made in the papers as regards the need of any reform in our Bazaar. *Silly suggestions there have been no doubt.* It is reasonable to say that one should learn the art of swimming in order to save oneself from drowning but it is ridiculous and impracticable to suggest that a man should learn to fly so that he might keep himself above the surface of the water. How can we adopt similar *absurd* suggestions made with regard to the Share Bazar ?

The Association proceed to justify the above statement by pointing out the absurdity and impracticability of so-called reforms under the pretence of redressing grievances in ignorance of the real knowledge and experience of the ways in which the business on the Stock Exchange is carried on.

It is interesting to note that the Enquiry Committee agree with the views expressed by the Association, in their supplementary representation, with regard to the inutility of the proposed reforms. From what follows below it will be seen how far the Committee have rejected them :—

Reforms urged by public.	**Report of the Majority.**
1. **Board of Appeal or Control.**	We do not see this suggestion is feasible in practice.
2. **Division of members into jobbers and brokers.**	*Page 11th.* Though it is generally admitted that this change is desirable, it is generally admitted that at present it would not be feasible in practice and we agree.
3. **Abolition of Blank Transfers.**	*Page 12th.* The question is after all a matter of policy for the Government of India to determine, though the present attitude of the Association is that they, as an Association, will not object.
4. **Fortnightly settlement.**	*Page 17th.* It is also contended that corners might be made more difficult if settlements were every fortnight. But there is little force in this contention, for transactions would be carried over twice a month instead of once, and there would be two brokerages instead of one.

5. The breaking of the link.	*Page 17th.* With a view to prevent corners it is suggested that there should be adopted that device which is known locally as the breaking of the link, that is, that all transactions should be periodically squared. But there is nothing to prevent a transaction closed on one day being re-opened on the next and the adoption of this device would result merely in a periodic settlement of differences.
6. Incorporation or Charter.	*Page 19th.* Nor do we think a charter is a remedy for the present discontent. Moreover, the set provisions of a charter must tend to conflict with that growth and freedom which is so vital a condition of all progressive business.
7. Business on cash basis only.	Speculation would not cease, for money and scrip can both be borrowed.......We do not desire, however, to recommend save in the last resort, the application of this drastic remedy in Bombay.
8. Deposit of substantial security by a member.	It has been suggested to us that a member before admission should furnish substantial security, and it is argued that the fluctuating value of the card or right to membership as a security is inadequate. The amount of the security to be furnished by a member of the Association is, however, primarily the concern of his fellow members with whom he deals as principal.

The Association agree with the Majority in their suggestion that "duality of occupation should receive no encouragement from those who have influence and authority in the affairs of the Association," but differ in their belief that "an enhanced subscription might eliminate those members who regard the Exchange as an adjunct to, rather than their chief occupation." The Committee have failed to realize that a member cannot withdraw from the Association without losing his rights and privileges of membership, which now-a-days form a part of his valuable assets and which are not transferable. The Committee admit that "the business available for the present members, however, does not seem sufficient to provide a living for more than half the members." The enhanced subscription will be a hardship on those who have no or little business and also on those who have retired from the business on account of age.

As to the recommendations of the Committee, the Association regret that the following six are to them unacceptable. These have reference only to our internal management and are of no utility whatsoever to the public.

1 THE ASSOCIATION SHOULD BE CALLED THE CITY OF BOMBAY STOCK EXCHANGE.

This change does not mean "reform". Moreover the Exchange has continued this name for nearly 50 years during which excellent traditions have centred round it and the name must be maintained.

The observations that have been made in the Majority and Minority Reports are placed in parallel columns :—

Majority Report.	**Minority Report.**
By Article II of the Articles of Association, none but *natives* of India may be members of the Association, though the rule has now been altered to admit to membership a British subject who has himself or whose family has resided in the Bombay Presidency for ten years. It is for the Association to determine what period of residence is considered necessary to qualify for admission to membership of the Association and we desire to recommend nothing which will interfere with its essentially Indian character. But we think that the Native Share and Stock Brokers' Association should now be called the City of Bombay Stock Exchange.	As regards admission to membership the Rule concerning the same has been so altered as to admit to membership any British subject, subject to a qualification of residence for a period of ten years in the Bombay Presidency. It is recommended in the majority report that the name of the Association should be the City of Bombay Stock Exchange. I have no objection to the alteration suggested but it does not appear to me to be a matter of any significance or importance. Notwithstanding the fact that admission may now be open to any British subject there is no reason why the present members should not desire that they should continue to be called by a traditional ancient name.

4. THE DATE OF THE GENERAL MEETING SHOULD BE ALTERED.

It is for the members of the Association only to determine which month of the year is most convenient to them for holding it. However, the Association will bear in mind the suggestion of the Majority while passing the new rules.

5. THE BOARD SHOULD RETIRE ANNUALLY AND SHOULD BE CALLED THE COMMITTEE OF MANAGEMENT.

The Association see no earthly advantage in an annual election. The present rule for the biennial election is considered satisfactory.

6. THE ARBITRATION COMMITTEE SHOULD BE ABOLISHED AND IN ITS PLACE THE ARBITRATION BY TWO MEMBERS OF THE STOCK EXCHANGE NOMINATED FROM A PANEL OF ARBITRATORS SHOULD BE SUBSTITUTED.

The public have nothing to do by what method members settle their internecine disputes. No member of the Association is compelled to settle his dispute by Arbitration Committee. It is best to allow members to get their disputes settled as they most wish. It may be by arbitration of one or more members if they so choose. But when arbitration is the method chosen, a member is bound to nominate an arbitrator. But if he fails to appoint an arbitrator or evades doing so or if arbitrators when appointed cannot agree, the matter must be referred to the Committee of Management or to a special sub-committee appointed for the purpose. Rule No. 75 of the London Stock Exchnge is substantially the same as will be seen from the rule quoted below:

> 75. (1) All disputes between members not affecting the general interests of the Stock Exchange which arise out of Stock Exchange transactions or are connected with Stock Exchange business and including partnership disputes, shall be referred to the arbitration of a member or members of the Stock Exchange: and the Committee will not take into consideration such disputes unless arbitrators cannot be found, or are unable to come to a decision.
>
> (2) The decision of the Committee as to whether a dispute affects the general interests and, if so, how it shall be dealt with shall be final.
>
> (3) A member shall not without the consent of the Committee attempt to enforce by law any claim arising out of such dispute.

It is therefore undesirable to abolish the Arbitration Committee which have so far worked to the satisfaction of all the members. Besides this is not a matter of general public interest.

11. THE HOURS OF BUSINESS SHOULD BE EXTENDED.

The business to be generally transacted at present is not such as to necessitate the extension of hours. Hours can be extended when business demands them. This the Association did in the past and will do so in future also.

The following extract from the evidence of Mr. A. G. Gray, Manager of the Bank of India, supports the above observation of the Association :—

Sir Purshottamdas Thakurdas :—Then you say : "There is not really sufficient business to warrant the Exchange being open every day"?

Mr. A. G. Gray :—I think that is the real cause. There are many contributory causes.

Q.—Do you think two or three hours is enough ?

A.—I do not think there is necessity to prolong the working hours.

Q.—If they keep open for five hours, there will be only nominal business ?

A.—Yes. During a boom time the Share Bazaar will be open for five hours. During Diwali time it will be kept open for more than 2 hours and perhaps more than 5 hours.

Q.—Two hours will serve the existing needs of the people ?

A.—Yes.

12. AN ANNUAL DECLARATION BY MEMBERS AS TO THE CLASS OF BUSINESS THEY PROPOSE TO UNDERTAKE SHOULD BE MADE.

This is not practicable. A member may declare at the beginning of a year that he will act as a broker only, but he may change his mind during the course of the year and work as a dealer also giving due notice thereof to the Committee of Management. The public cannot come to know of such a notice. Besides if a member works as a broker only, it does not follow that he should not invest his own money in securities or should not do his own private business in the market and therefore should not buy or sell on his own account. Members only would declare themselves as brokers every year and may still continue to deal on their own account. If their action is questioned they will of course defend themselves on the ground that they bought or sold for their own investment or for making profits. Such a declaration by brokers as is suggested by the Committee will in no way protect the public at all. The public wants protection so far that brokers shall transact their business *bona fide* and refrain from making *secret profit* (or *galla* as it is locally called) on their own account out of sale or purchase of shares really belonging to their clients. Therefore the remedy to protect the public against dishonest brokers does not lie in the recommendation suggested by the Committee but in the rule *prohibiting members to trade on customer's order* and *to buy and sell securities of their clients for themselves and for their own account without disclosing the facts on the contract notes.*

Even in the absence of such a rule of the exchange the law protects the public if they deal with members as brokers and not as principals. Sir Walter S. Schwabe, ex Chief Justice of Madras, says :

> A broker may not, without the consent of his client, sell his own securities to his client (1) or buy his client's securities from him, notwithstanding that the bargain be at the market price, or even at a price more advantageous for the client ; nor may he have any personal interest whatsoever in his client's bargain ; without making full disclosure of his exact position to the client. Should a broker depart from this rule, then, no matter how honestly he has acted, and though the client has suffered no loss from his so doing, the client can refuse to indemnify the broker, or to carry out the bargain (2) ; or he can have it set aside by the Courts, and, by means of damages, have himself put in the same financial position as if it had never been made ; or, if he prefer it, he can adopt the bargain, and make the broker pay over to him any profit he may have made by the transaction, and, even in this case, can refuse to pay any commission to the broker.

The following extract from the oral evidence of the President clearly shows that there is no necessity for such a declaration by members for protecting the public. The law gives them the protection required.

Mr. Bhulabhai J. Desai :—Am I correct in taking it that as a matter of law, at present a broker on your Stock Exchange is not entitled to make any claim against his client unless he has put through the business with a third party, except in cases where he discloses the fact that he himself is the dealer ?

Mr. Shroff :—That is what I think.

Q.—Is that the law as it is understood by the Stock Exchange ?

A.—Yes, as it is understood by me.

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(1) Gillet v. Peppercorne, 3 Beav. 78.

(2) Thompson V. Meade, 7 T. L. R. 698, and cases. *infra.*

Q.—Unless you disclose the fact that you yourself deal, you will have no claim against your client? In fact that has been the view expressed more than once in the actual decision of the Court?

A.—I am not quite sure about decision of courts, but such an opinion was given to us by counsel. I tried to find out that opinion, but I could not get it from my file.

Q.—Some of your brokers in fact issue forms of contract showing that they deal on their own account when they do so; "Bought from or sold to you." Is it not?

A.—Some of them do so.

Q.—The forms say either it is bought for you, that is to say, when he is merely the agent, or bought from you. Is that not the usual distinction observed?

A.—Yes.

Q.—What is the real, practical difficulty of dividing the people who deal on the Stock Exchange into two classes, jobbers and brokers?

A.—There is not enough business to go round.

Q.—Are you sure that in fact the clients have always contended, whenever they have gone to the courts, that the broker should prove that the transaction was put through with a third party in order to hold him liable for delivery?

A.—I think so.

Q—In most of the cases where the clients put forward a defence of this kind, it was with a view to gain time, and in the end the broker has succeeded in proving that he has put through his transaction through a third party. Do you know that in cases in which allegations were made by the client with a view to gain time that the broker quoted a higher rate or made secret commission, all those allegations had failed in 99 out of 100 cases?

A.—Yes,

Q.—Do you know that all those allegations were merely made after the collapse when the clients did not wish to pay?

A.—Yes.

In the Minority Report it is observed:

When disputes between a client and broker have become the subject of litigation the Courts have enforced against the brokers all the legal obligations and disqualifications attaching to an agent. The law however allows an agent himself to deal in the matter of his agency with the knowledge of his principal.

Even if it is possible for the Association to divide their members into two classes—Jobbers and Brokers,—as a matter of fact such a division will not protect the public. From the following evidence it is apparent that this division is approved for the facilities for business it provides rather than the protection it affords to the public. In order to keep the market open and free, some machinery is essential and the machinery that is adopted by the London Stock Exchange is the system of jobbers, the advantages of which are often called in question.

Sir Wilfrid Atlay:— The jobbers are useful when there is an open and free market?

Mr. Shroff:—That is why we say the utility of jobbers is for keeping the market free. The public can be protected without the jobbers.

Q.—Has anybody suggested that the jobber exists for the protection of the public?

A.—The public believe so, but that is a wrong and vague notion.

The Association are ready and willing to accept the following eleven recommendations. As a matter of fact the Association was ready to introduce nine out of these eleven reforms even if the Atlay Committee had never been called into existence. Moreover there is no novelty in these eleven recommendations. All the reforms recommended had sometime before been anticipated by the Association and draft rules framed in order to pass them. If they were not passed before the appointment of the Enquiry Committee it was simply owing to unforeseen circumstances as explained by the President in his oral evidence.

3. THE DISCIPLINARY RULES OF THE ASSOCIATION SHOULD BE STRENGTHENED AND RIGIDLY ENFORCED.

These in the draft rules had been greatly strengthened and of course had the approval of the Enquiry Committee.

7. THE SECRETARY SHOULD BE PAID AND SHOULD NOT BE A MEMBER OF THE STOCK EXCHANGE.

Draft rule 58 of the Association is:

> 58. The Board may if they think fit appoint a paid Secretary in place of an Hon. Secretary or a paid Assistant Secretary to help the Hon. Secretary but such paid Secretary or Assistant Secretary shall not be a member of the Exchange.

9. THE RULES SHOULD BE PRINTED IN ENGLISH AND IN THE VERNACULAR AND SHOULD BE AVAILABLE TO THE PUBLIC.

The draft rules are printed in English and vernacular.

10. THE PUBLIC SHOULD BE TOTALLY EXCLUDED FROM THE STOCK EXCHANGE UNTIL SUCH TIME AS A NEW BUILDING AND GALLERY IS PROVIDED.

Draft rule 211 is as under:

> 211. Only members and their authorised clerks are allowed to enter the market to transact business. Clerks shall have to wear badges, when in the market.

The Association were at no time anxious and willing to allow the public to enter the market as will appear from the following notice that was published and circulated now and then. In spite of the warning some of the public pressed and gained an entrance instead of heartily co-operating with the Association. Even the press not only did not support the Association but took the side of this defiant section of the public. The Association was therefore forced against their desire to show " undue (?) consideration " in this matter as the Committee assert. The Hon. Secretary was once even dragged to the criminal court for having attempted to prevent a non-member entering the market on a plea of assault

It is gratifying to note that Inquiry Committee recognise the difficulties in the way of the Association to perform this duty. They report " It is generally admitted that in the present building space is limited and that owing to the number of entrances it is difficult to exclude the public ".

THE NATIVE SHARE & STOCK BROKERS' ASSOCIATION.

NOTICE.

Notice is hereby respectfully given to all non-members who frequent our Exchange on business purposes that they should not enter the front portion of the compound and the room adjoining thereto belonging to our premises during the hours members are doing business there.

If any member does not see the advisability of complying with this notice the undersigned by virtue of the power with which he has been invested by our Board will be reluctantly constrained to prosecute him through our solicitors on a charge of tresspass.

Bombay,
7th June 1920.

By order of the Board,
Hon. Secretary.

14. A MINIMUM SCALE OF COMMISSION SHOULD BE FIXED.

Draft rule 250 of the Association the Committee have accepted though they "think the rates so fixed are on rather a generous scale". The Association beg to point out that in reality these rates are slightly lower than those prevailing in other stock exchanges, such as London, Calcutta, Rangoon, etc., where the brokerage is ½ per cent on the money. The observations made in the Majority and Minority reports are placed in parallel columns :—

It appears to some desirable to fix a maximum brokerage; to others a minimum. But the minimum brokerage in practice tends to become the maximum if this minimum is known, and we think that the members of the Association are entitled to *some protection against undercutting in their rates.* In rule 250 of the draft rules of the Association, an *ad valorem* rate is given. We think that the rates so fixed are on rather a generous scale. But if the rate is so high as to discourage custom, it will be in the interest of the Association to reduce these charges. We consider it, however, essential that whatever be the charge of brokerage it should be declared.

I have not been able to form any definite opinion on the evidence produced before us as to a proper scale of brokerage. The minimum brokerage which is insisted upon in the rules of the London Stock Exchange is not intended so much as a protection to the client as a prevention against under-cutting by one broker at the cost of another. If however such a minimum scale is fixed, it would be desirable to have a rule that such minimum shall be the rate which the client would be bound to pay in the absence of an arrangement to the contrary.

8. THE PARTNERSHIP RULES SHOULD BE RIGIDLY ENFORCED.

The Committee report :

" It appears, according to present practice, a member of the Association can enter into partnership with a non-member. We see no objection to this practice providing the non-member is not admitted to the Exchange."

The Association observed in their representation :

Partnership.—A member is not permitted to take into partnership a non-member. No member can carry on business on the market otherwise than in his own name. But any two or more members of the Association can carry on business in partnership as a firm. All members of a firm are liable jointly and severally in respect of all dealings of the firm in connection with the share market.

The Association have not recognised such practice and if there exists any partnership between a member and non-member, it is against the existing custom.

However the Association is considering the question of allowing members to enter into partnership with any person who is not a member.

17. SUB-BROKERS SHOULD BE TOTALLY ABOLISHED.

This question is entirely misunderstood by the Committee. The Association have never recognised the system of sub-brokers nor they have at any time encouraged it. On the contrary the Association have objected to the existence of outside brokers and drawn the attention of the Committee in their representation and also in oral evidence in the following words:

> The Association will strongly resist any suggestion or any attempt that may be made having for its object hampering with and restricting business, and destroying the legitimate opportunities offered to real brokers which do not in the slightest degree hinder outside brokers who are not members of the Association and others of an unscrupulous character. In other words all persons whose dealings cannot be regulated by the rules and regulations of the Association. They are all, of course, beyond the control of the Association and its Committee. They are a class of irresponsible dealers in shares. They deal directly with their clients but not on their behalf. When losses are incurred they very often refuse to pay. Cases have ocurred in which even worse dishonesty has been committed. They simply make off with any money which people may have entrusted them with. In the case of an authorised and therefore a responsible member of the Association, such an unsatisfactory state of affairs is impossible. Moreover no outside broker can be expected to deal economically as a member of the Association and it is a matter of regret that for the irregularities of such outside untrustworthy brokers the Association should be unjustly reproached.

Mr. R. Lindsay:—I gather that you would like outside brokers to be controlled. Who do you think should have that control?

Mr. Shroff:—It is impossible to control them. We cannot do it. It is impracticable. If the public lack in prudence, they cannot be protected. It is for the Government rather than for the Association to do it.

Q.—You do not suggest that the operations of outside brokers should be restricted in any way by legislation or otherwise?

A.—It is impossible. The Association is unnecessarily blamed for the actions of such brokers and that is what I want to draw attention to.

Q.—Have you any specific cases which you can bring forward, where the public have lost heavily through the dishonesty of outside brokers?

A.—There were many such cases in the courts.

Q.—I take it then these cases are confined to outside brokers only?

A.—In the history of our Association only one broker committed fraud—Mr. Ibrahim Fazul. There is no other case of fraud. It might be that in some cases the public may not have received the differences.

The Association quite agree with the views of the Committee that:

> "If brokers desire touts, they shall register their names with the Association; they should give them a seat in their office; they should be subject in all their dealings to their control; and they should in no circumstances be permitted to give contracts in their own name or be admitted to the Exchange. The sub-broker in the form to which the share market has become accustomed, should be suppressed."

The Association beg to point out that the Enquiry Committee have failed to realize the difficulties in the way of the Association. How is it possible for the Association to know if sub-brokers give contract in their own names without the knowledge of brokers whose agents they are. Unless the public co-operate with the Association, nothing can be done.

Capt. E. V. Sassoon while examining the President remarked :

I am absolutely ignorant on the question of sub-brokers. I take it that whether you call him a sub-broker or outside broker, if he is really working on half commission for a real broker it does not matter to anybody as long as contract goes to the real man. The trouble I understand is that these outside brokers pass contracts to clients in their own name and pass contracts themselves with the broker.

Mr. Shroff in reply said:—Yes, some brokers are working with sub-brokers but they pass contract to clients direct on behalf of sub-brokers, and the sub-brokers get half commission. There is no objection to that; but my Association does not recognise if the sub-broker makes a complaint against the broker. The client in this case has contract direct with the broker. There are also cases where sub-brokers pass contract direct to the client.

Now it is not possible and practicable for the Association to control outside brokers or sub-brokers by whatever name you call them. It is beyond their powers. If the public and Banks want protection from this undesirable class of outside brokers who are not members of the Stock Exchange they should refuse to deal with such persons. It is for the public to see that they deal with members only of the Association. There are at present many respectable firms of brokers and dealers, doing honourable and *bona fide* business in securities who are not members of the Exchange, such as Messrs. Lewis and Jones, Langley & Co., Merwanji & Sons, and many others. None of such firms is in a position to do business in their own names on the floor of the Exchange. They have to deal through a member of the Exchange paying them brokerage or to deal direct between clients and clients outside the Exchange. It is not possible for the Association to prevent their members doing business on behalf of persons who are their clients. So long as such firms of outside brokers (some of them may be of unscrupulous character) get the business from the public and Banks they will be in a position to continue their business, in spite of any steps the Association may take to abolish this system. It is therefore for the public and Banks to consider in their own interests whom they should employ brokers, whether a member of the Association or an outsider. If they employ an outside broker, it is their duty to insist upon having a contract signed by the member of the Association. If they fail to take such precautions and thereby suffer, the Association cannot be held responsible for the neglect of the public. Those who neglect to take care of their own interests must be prepared to suffer the consequences. " No rule, method, system or even law can ever protect a public which neglects its own obvious duties and fails to exercise that caution and prudence which are essential in ordinary matter of business."

" No statute or official supervision can possibly protect people against their own too-easy confidence in others, as pitifully exemplified in the recently discovered case of a sham "bank" among the Italian population of this city."—The *Commercial and Financial Chronicle* of New York.

" The Martin law of 1923 has been tested vigorously by Attorney General Sherman. The fraudulent stock promoters and dealers continue their depredations none the less. As usual when legislation on a given subject fails partially, there is an instant cry for more legislation. But ignorance, credulity and avarice are law-proof. There will be easy victims for the fraudulent dealers and manipulators, no matter what statutes try to protect and punish."—*New York Times*.

Suppose *A* employs as his broker *B* who is not a member of the Association to buy 10 shares of Kohinoor. *B* even without buying 10 shares through any broker at all sends his own contract to *A* selling his own shares. If *A* makes a profit, *B* does not pay, but if he suffers a loss, no doubt *B* will pocket it. It is thus possible for any one to deal outside the Exchange as broker. There are many outside brokers practising to-day. It is therefore absurd to suggest that the Association should abolish such brokers. It is for Government to take steps to restrict the operation of such brokers same as they do it in New York by Martin Act. If brokers employ persons who canvass business in return for sharing brokerage, the Association cannot check such practice. But the Association should not allow such persons to enter the market and do business on the floor in their own names. As a matter of fact, the Association does disallow such entry. It is not in the interest of the Association to allow outside brokers to do business on the floor. In that case no one will purchase the membership card. On the London Stock Exchange, says the ex-Chief Justice of Madras, Sir Walter S. Schwabe, author of the book on Stock Exchange:

> " Brokers frequently employ persons known as runners, or *remisiers*, who generally have seats in the brokers' office. The runner's business is to introduce clients to the broker, and his remuneration a share of commission earned : he often agrees with the broker to share any loss which the latter may incur by the failure of the person introduced to fulfil his obligations. Such an arrangement has been held by the courts not to constitute a partnership, and, being a contract of indemnity rather than a guarantee, not to require to be in writing under the Statute of Frauds (1).
>
> The runner's authority to bind the broker, or the person introduced must in each case depend on the particular circumstances (2). The mere fact that the broker has accepted some orders given to the runner, is not sufficient to make him liable on subsequent orders given to, and accepted by, the runner, but not communicated to, or acted upon by, the broker (2). It not infrequently happens that a runner is given wide discretion by a client to act for him, and in such case the client may constitute the runner his agent, and be bound by his acts within his authority or the apparent scope of his authority.

It will be apparent from the above that there is nothing objectionable if brokers employ runners. It is also clear that a broker is not liable for any order given to and accepted by the runner until acted upon by the broker and communicated to the client.

16. BLANK TRANSFERS SHOULD BE ABOLISHED ON THE REDUCTION OF THE STAMP DUTY.

The Association still adhere to the opinion they maintained in their representation that this is a question for Government and the public to consider and decide. The Association as a matter of fact does not encourage the practice of allowing blank transfers to pass from hand to hand.

At the same time, it may be observed that, it is not their duty to abolish the practice in vogue. The Enquiry Committee observe :—" The question is after all a matter of policy for the Government of India to determine, though the present attitude of the Association is that they, as an Association, will not object." Here the Association agree.

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(1) Sutton v. Gray (1894), 1 Q. B. 285.

(2) Spooner v. Browning (1898), 1 Q. B. 528.

It will appear from the following extracts from the evidence of Mr. H. B. Turle, representative of the Calcutta Stock Exchange, that the Government of India are disinclined to take any steps. Why should then the Enquiry Committee ask the Association to do what Government themselves (though it is in their own interest) do not consider advisable and desirable to do. It is very strange that the Committee instead of recommending Government to take all necessary steps to abolish the practice of blank transfers, changing from hand to hand, suggest the Association to discharge the duty which properly appertains to Government.

In the opinion of the Committee "A necessary incident of the effective abolition of the blank transfer is, we consider, the provision of facilities in or near the Exchange for the embossing of stamps on transfer deeds and the abolition of the adhesive stamp". The Association agree with their views. It will not be out of place to remark here that Association have long since given the facility to Government for selling stamps in the Exchange Hall. Perhaps the Enquiry Committee was not aware of it.

EXTRACTS FROM MR. TURLE'S EVIDENCE.

Sir Wilfrid Atlay :—Then you use blank transfers for fully paid up shares?

Mr. H. B. Turle :—Yes.

Q.—Is that a good rule?

A.—Yes; otherwise how will you work dealers and short speculators. Further we do not use a clearing house. On the question of blank transfers, criticisms have appeared in the Press. When the Government enquired into the matter, we explained it to them and they understood our position. I explained the matter to Honourable Mr. Cook himself. The matter did not proceed further.

20. THE REGULATIONS RELATING TO THE ADMISSION OF COMPANIES TO FORWARD DEALINGS SHOULD BE ALTERED.

The President in his oral evidence explained to the Enquiry Committee the principle the Association adopt in admitting the companies to forward list. This is what he explained:

Capt. E. V. Sassoon :—About the admission of shares for cash register and forward register, what is the principle on which you decide it?

Mr. Shroff :—For cash we have already got rules and regulations a copy of which I have already sent. As regards the admission of shares in the forward list we consider whether the shares of the company are fully paid or not; whether it has paid the dividend for the last three years, whether the company is substantial and on sound footing or not; whether the shares are well distributed to the public. We consider all the information on these points, and if we are satisfied we put it on the forward list.

Q.—Have you made rules and regulations regarding them and published?

A.—For cash we have published; and for the forward we have proposed such rules and they are in part II, rule 225.

Q.—Will they be embodied in the rules?

A.—Yes.

It is gratifying to note that the Committee approve of the provisions of the rule 225 to govern the admission of companies to forward dealings, as proposed by the Association in their draft rules. No alteration whatsoever is suggested by the Committee. In the opinion of the Committee "All companies whose shares are fully paid up and which are registered in Bombay should be entitled to admission to the forward list, once they have satisfied the provisions of the rules which we have recommended relating to such admission." The Association agree, provided the company is of sufficient public importance, substantial and on sound footing. But there is difficulty in the way of the Association which they pointed out at the time that their evidence as under was recorded by the Committee. But the Committee has suggested no way to get out of it.

Sir Purshotamdas Thakurdas :—You have certain companies which you put on your *vaida* list and I take it they have to follow certain regulations of yours. The Committee officially investigates and if it considers it suitable it puts it on the *vaida* list. Are we to take it that all the companies which are not on the *vaida* list are not suitable for it? Do you merely arbitrarily choose certain companies and put them on the list.

Mr. Shroff:—No. There is the question of the Clearing House. At present we have 40 companies on the list.

Q.—Your point is that you can select only a limited number ?

A.—We could not find at present more than forty companies suitable to be put on the *vaida* list.

Q.—The difficulty is of the Clearing House ?

A —Yes ; At the same time there are no additional companies which can be taken on the *vaida* list.

Q.—Assuming that you can get over the technical difficulty of the Clearing House, is there any objection to the Stock Exchange stating that if a company carried out certain conditions which were laid down, it would thereby be entitled to go on the *vaida* list.

A.—On condition that we are satisfied with its stability.

Q.—The difficulty is merely of the Clearing House ?

A.—Yes.

Q.—Would those difficulties be got over ?

A.—If there is enough business to meet the expenses of the Clearing House we can do that. According to our agreement with the Clearing House, they would clear only 40 companies and not more. If we put more companies, we have to pay extra for it. If we do not get sufficient businesss we would be working at a loss.

Q.—The only difficulty is that of money. Provided there is a Clearing House, you can follow the practice in European countries ?

A.—Yes.

The following is an extract from the evidence of Mr. A. G. Gray of the Bank of India Ltd.—

Capt. E. V. Sassoon :—The Share Bazaar say that their practical difficulty is that the charge of the Clearing House would restrict them to the 40 they now have on the list. Is that so ?

Mr. Gray :—I do not think there is any demand for more than 40. Several companies have been removed from the list because there is no forward business in them, and the bazaar have the necessary power to substitute one company in which there is no forward business by another.

Q.—I also understand that the turnover to-day is not what it was a short time ago ?

A.—It is up a little again. For two or three settlements we had very quiet business.

Q.—Is it up to the boom period ?

A.—No. During the boom period we had great difficulty in coping with the work. We had Europeans and Indians working the whole night. Now it is rather below normal.

Q.—Do you think you would be justified in saying to the Stock Exchange that you could raise the 40 without increasing the charge ?

A.—I believe, if a fee of Rs. 1000 per company per annum is paid, we could do it.

Q.—What they want is extra companies without extra charge.

A.—If half a dozen more companies want to be quoted, half a dozen of the existing companies could be removed, and the new ones substituted without any loss to anybody.

Even the representative of the Indian Merchants' Chamber was unable to solve the difficulty as appears from his following evidence :

Capt. E. V. Sassoon :—On this question of putting companies on the forward list Mr. Shroff—we must be fair to him—has stated that as far as his Committee is concerned they would have no objection to put every company on the forward list that followed out certain conditions that they laid down, if it did not happen for the moment that in spite of representations that have been made, the Clearing House will not allow the number to be increased over 40 without an extra payment, and no other bank will take the work on. *I think in fairness to them some method should be found for paying the extra charges.*

Mr. Manu Subedar :—(No answer.)

It is thus recorded in evidence that he was not able to give any answer. Neither the Enquiry Committee nor the Indian Merchants' Chamber found any method to suggest. Under the circumstances, it is not possible for the present to put all the companies on the forward list. Perhaps it may be possible that in order to give "publicity and additional facilities" for forward transactions a company should pay Rs. 1,000 every year to the Bank of India as clearing charges.

In New York, for the privilege of listing any security on the Stock Exchange there each company has to pay a certain sum of money. The Standard Oil Co. of New York filed an application in November 1923 for listing its stock and were willing to pay $ 22,500 for the privilege of listing. The Listing Committee of the Exchange demanded $ 90,000. It revolved around a technical interpretation of the Exchange requirements for listing, growing out of the recent splitting of the company's shares, of $ 100 par value into shares of $ 25 par value. Over this difference of $ 67,500 there appeared to be no likelihood of agreement, so the application was withdrawn. It was estimated that the Exchange might be obliged to refund something like $ 1,500,000 in listing charges to other corporations should the rule not be enforced in the case of the Standard.

The following two recommendations the Association had considered not worth adopting but they see no objection to their being included in the rules :

2. THE RULES SHOULD PROVIDE FOR THE CONSIDERATION OF COMPLAINTS BY THE PUBLIC.

The Association have not undertaken to perform this duty till now, as there was no such complaint made against members, nor there was any suggestion made to the Association to undertake the investigation of such complaints. Moreover the Association are not competent enough to decide disputes between members and their clients in cases where there are intricacies of law. Mr. H. B. Turle who gave evidence on behalf of the Calcutta Stock Exchange is also of the same opinion as appears from his evidence given below :

Sir Wilfrid Atlay :—Supposing a member of the public writes to your Committee and says he has got a complaint against one of your members would you entertain the complaint ?

Mr. H. B. Turle :—We would not entertain it, unless it involved dishonourable conduct on the part of the member. But a mere complaint that he has paid money for shares, but they are not delivered would not be taken notice of.

Q.—What are your reasons for not taking notice?

A.—We feel that we should not involve ourselves in complicated disputes which we are not really competent to judge. If a member of the public wrote to us and said he had a complaint against a broker, the broker would probably not say "That is so, I am very sorry ". There would be some dispute connected with it. We do not wish to usurp the functions of a court and decide matters which we are not competent to deal with. Also, if the opposite thing occurs, and *a broker complains against a member of the public, we cannot take action ; he will have to go to the court.*

Q.—Supposing there was a client who said he had reason to believe that he had been defrauded ?

A.—I am speaking of a case in which a client said that the broker had failed to deliver the shares. We should have to take notice of fraud but if we were to deal with other cases, it would involve calling an outside member of the public into our Committee room, and I do not know whether we really are competent to sift evidence and deal with it thoroughly, and so we take no action at all.

Q.—Really, then, the public have no *locus standi* in your Exchange.

A.—I think that is so.

It may however be observed that the Association would undertake the duty provided the public is prepared to submit to their decision and sign the form of the Agreement of Reference as suggested by the Committee unanimously (*vide* rule No. 210 published on page 148th of the report).

In the Minority Report, it is observed:

The only reason why the Association has not hitherto undertaken the investigation of any complaints from a client against a broker is that unless the client is prepared to submit to the decision of the Association such investigation is of little or no value and I am of opinion that if a rule on the lines of Rule No. 77 of the Rules and Regulations of the London Stock Exchange were adopted, the Association would I have no doubt entertain and investigate such complaints.

That is exactly what the President expressed in his oral evidence given below :—

Sir Purshotamdas Thakurdas :—Suppose that a client complains that a certain broker has played fraud with him. He has got to resort to a law court and can have no summary judgment from you ?

Mr. Shroff :—There is nothing provided in the rules.

Q.—Do not you think that it is high time that you should put some check on the members for the protection of the public ?

A.—Yes, on the same principle as in London, if they sign the letter of arbitration. I have not consulted the members ; but I do not think that any of them would object. No use sitting in judgment, unless the public consent to the principle followed in London.

Mr. R. Lindsay :—I understand that one reason you gave is that the Association can take no action on a complaint from a member of the general public ?

Mr. Shroff :—I have never said so.

Q.—Have there been cases where complaints from the general public against brokers have been dealt with by the Board ?

A.—There were no complaints received.

Q.—There were no complaints to your knowledge of misconduct or dishonesty of individual brokers ?

A.—There was none to my knowledge.

Mr. Bhulabhai J. Desai.:—If the contracts between brokers and clients are subject to the rules of the Stock Exchange, it would be advisable that clients should have a right to complain and the Association should be under a duty to investigate the complaint between client and the broker?

Mr. Shroff:—Not in all cases. I want to qualify that.

Q.—You would entertain complaint only when you feel that the man who complains does so with a full sense of responsibility?

A.—Yes.

Q.—You do not want to entertain anonymous complaints?

A.—Such complaints we can never hear at all.

Q.—Except in the case of fraud, would you require before you undertake investigation that the client and broker should be bound?

A.—Yes.

Q.—The broker being bound by the rules of the Association, you want the client also to be bound. In the case of fraud even if the client is not bound and your attention is drawn to a misconduct amounting to fraud on the part of a broker, you will still investigate it in the interest of your own body?

A.—That is what I personally think.

Q.—Would you be prepared to recommend such a rule for the Association?

A.—Yes. I think so.

18. THE USE AND STAMPING OF A UNIFORM FORM OF CONTRACT NOTE SHOULD BE ENFORCED.

Though there is no official form of contract notes recognised by the Association the brokers use generally uniform contract notes. The Committee have given 18 appendices in the Report which comprise 100 pages, whereas the whole report occupies only 20 pages. Yet curiously enough they have not thought of printing a form which they desire the Association should use. The Association agree with the following opinion expressed in the Minority Report:

> I am of opinion that there should be two recognised forms of contract which every broker should use according as he has effected the transaction as the agent for his client or he has accepted the transaction on his own account. I am also of opinion that it will serve public interest, that in every case a written contract on such forms should be issued by every broker and delivered to his client.

EXTRACTS FROM MR. GRAY'S EVIDENCE.

Sir Wilfrid Atlay:—You say that the majority of brokers' contracts are unstamped rough memos. Is that so?

Mr. Gray:—I think so. I am open to correction, but it is my view that they are very *katcha* things in the ordinary way. *On the whole, I think, they treat them just as honourably as they treat stamped contracts.*

Q.—Do they not omit to stamp in order to save 2 annas?

A.—No; not to save the 2 annas, but not to be bothered with affixing a stamp on every contract.

19. A DAILY OFFICIAL LIST SHOULD BE PUBLISHED.

Report of the Committee says:

> A source of public complaint is the lack of a daily official list of prices. Difficulty must necessarily be experienced in ascertaining correct prices when the Association itself issues no printed list. We understand, however, that the Association has no objection to undertake this duty if the public will pay the cost.

It is a matter of great regret for the Association to remark that in spite of the efforts made by the Association to get as many subscribers as possible to meet the cost by inserting following advertisement * in the undermentioned papers, they failed to secure more than seven subscribers.

Times of India. *Gujarati.* *Bombay Chronicle.*
Kaiser-i-Hind. *Voice of India.* *Jam-e-Jamshed.*
Indian Daily Mail. *Sanj Vartaman.* *Bombay Samachar.* *Praja Mitra.*

It is therefore not possible to issue an official list of prices unless sufficient funds become available. It will appear from the following evidence of the President that the Association did not issue a daily official list of prices as there was no demand for it. This is now proved to be quite true beyond any shadow of a doubt :

Sir Purshotamdas Thakurdas:—Is there a record of all the bargains ?

Mr. Shroff:—How can we know all the bargains? It is impossible to record all the bargains, but we have got records of the fluctuations.

Q.—For forward business only ?

A.—Yes, I myself even would not know the rate at which each cash business is done.

Q.—I fully appreciate that as the Exchange is organised you may not have a record of every transaction made. What is it that you have got at present?

A.—We have a record of the rates.

Q.—What is popularly known as *satta*?

A.—Rates of all the scrips that are on our list. Those on the forward list fluctuate a great deal, and the opening and closing rates for them are also recorded. For speculative business, every one should know the rate, and we have got a special man for the purpose. The rates are marked every half hour.

Q.—How many scrips are there on your list ?

A.—We have 29 at present, but we have added 11 more from January next. The rates for all these will be marked on the board.

Q.—Do you issue a printed list ?

A.—There is no demand for it. If the public pay for it, we have no objection to issue it.

Is it not evident that the public want all facilities but without paying for the cost necessary to provide them ? Here is a question of only Rs. 2/- per month. It would be clear from the above statement of facts that the Association was needlessly and ignorantly criticised for not issuing printed list of correct prices.

15. COMPANIES SHOULD, AS FAR AS POSSIBLE, USE A COMMON FORM OF TRANSFER.

The Association requested all the companies that are admitted to dealings on the Exchange to adopt a common form of transfer. 64 Companies agreed to the proposal while six others disagreed with it, whereas no reply has yet been vouchsafed by 61 companies.

It will be plain from the above that co-operation on the part of the Agents and Directors of Joint Stock Companies is sadly wanting. Though this reform is really needed in the interest of the investing public, whose servants these Agents are, they care little for affording that convenience and facility which their own shareholders demand. The Association will not hereafter admit a scrip even for cash dealings, unless the use of a common form of transfer is accepted by that company, as suggested by the Enquiry Committee.

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* Advertisement :—

THE NATIVE SHARE & STOCK BROKERS' ASSOCIATION.

The Association intends issuing a daily Official List of prices. Annual subscription Rs. 24/- in advance. Names of intending subscribers registered at the office of the Hon. Secretary.

Out of 20 recommendations of the Atlay Committee, the Association are willing, as already pointed out, to accept and adopt eleven. They cannot accept six for reasons already stated. They are of a nature to interfere most likely with our internal management and the public have nothing to lose by our non-compliance. The two recommendations, *viz.* Price List and Common Form of Transfer, are more for the public and Government than for the Association to consider. Though anxious to adopt, the Association cannot successfully introduce them for lack of support from the public. The remaining one recommendation relates to CORNER. The Association agree to repeal their own rule 26 and adopt the substitute suggested in the Minority Report which is the only feasible solution of the vexed subject.

The Association will now proceed to point out how the majority of the Committee have failed to understand the real issue in respect of corner. The conclusions of the Committee, the Association regret to observe, are not based on a proper and searching investigation of facts of corner in the past. The Committee for reasons of their own refrained from enquiring into them as is evident from the views expressed by Sir Wilfrid Atlay.

Addressing the President when he formally presented the representation from the Association, Sir Wilfrid Atlay remarked:

> So far as possible, I do not wish that there should be the washing of any dirty linen. We have not met here to deal with the past, let the dead past bury its dead, but to deal with the future.

The Association are of opinion that it was of vital importance to go into the details of the past in order to find out who really were responsible for the state of prevalent affairs and what were the true causes of dissatisfaction. Had the Committee cared to enquire into the past history of each corner and the way in which the people were brought to financial grief by the action of speculators and promoters of Joint Stock Companies and their proteges the Association are firmly of belief that much scandal would have come to light as the result thereof. The Committee, however, resolved to refrain from dealing with the past which, the Association consider, has so far as it is concerned, rendered the greatest injustice to it.

Mr. Jehangir Bomanjee Petit, a public man intimately connected with Mill industry, said in his statement:

> "I am of opinion that in a widespread and laudable desire to eradicate speculation with all its attendant evils or at least to find a way out of the disastrous effects of the waves of speculation and corners that periodically sweep over Bombay, a good deal more blame has unwittingly been laid at the doors of the Stock Exchange than an examination of the past history of these catastrophes would warrant. I am of opinion that the public has been as responsible in the past as the members of the Exchange and their agents for the disastrous results of the last few years. I am also of opinion that it is and will ever be impossible to stamp out the desire for speculation from human nature. Whatever we do, it will always manifest itself in one form or another. All that ought therefore to be aimed at, is to guide and regulate this impulse rather than to crush it."

It is admitted that harsh criticism and severe attacks against the Association were due to "reckless speculation which seemed to follow in the train of war" But it may be reasonably asked *who were responsible* for such speculation? Certainly not the Association. The promoters of the Joint Stock Companies and the undesirable system under which management of such companies is carried on are really answerable for the unfortunate events that occurred. Thus the Association has been subjected to the unjust attacks made by the public who failed or neglected to grasp the fundamental causes.

The Association beg to draw the attention of Government to the following extracts from the evidence of Mr. Nabar :—

Mr. Nabar :—Before you start taking evidence, I wish to hand in to you the certificate of a company started during the boom time in Bombay. You will see it is now converted into an envelop for use by grocers. I am told that money has been taken by that company. It may be put in the minute book.

It is not for the Association to inform Government of the lack of confidence prevailing among the investing public in the direction and management generally of almost all joint stock companies. The condition of low morality in them is most deplorable. The Association particularly drew the attention of the Atlay Committee to this condition as will appear from the following passages of their representation :

From an analysis of Appendix 41 (page 70 of the Report)it will be discovered that the Companies in the shares of which the public principally invest through our Exchange are mostly managed by a certatn group of gentlemen who are themselves agents and directors of such Companies. Is it at all desirable in public interests that a handful of gentlemen like these and others should have management of such huge financial concerns ? Is it desirable that they should become a close corporation of monopolists and tyrannise the finances of the City ? These gentlemen are certainly busy businessmen and they therefore cannot spare time and give that close and minute attention to the affairs of the Companies to the advantage of shareholders. Moreover, may it be reasonably inquired that the identical coterie are such supermen and so encyclopædic, that they can prove themselves useful to the variety of Companies of which they are directors, Companies which are more or less established for different objects as wide asunder as the poles ? Some of these gentlemen are not only Directors of Cotton Mills, but of Banks, Insurance Companies and of a variety of industrial concerns like Cement, Oil, Steamships, Rubber, Iron and Steel, Electric, Tramways, feeder railways and so on, and it may be a revelation to the public if it could be demonstrated that many of them are specialists and are practically conversant with the knowledge and experience demanded by the several Companies whose board they "grace" with their presence.

Appendix No. 42 (pages 71-72 of the Report) gives a list of the names of Directors who are Agents of the different Companies and of their relations and friends who are on the respective Boards.

It will be seen that the Agents of different Companies have made their respective Boards a happy family affair so that they can better wield their power and authority. It is of course notorious in Joint Stock Companies in Bombay that though Directors are formally elected in rotation by shareholders at General Meetings it is the Agents who really inspire their renomination.

It is interesting to note that the minority report agrees with the above views of the Association. The report reads :

The system of Company management by Agents, who in most cases were the original promoters of the Companies, has led to the result that the Agents' firm generally holds a sufficient number of shares to have a controlling interest in the Company. Individuals or syndicates have also become the holders of a majority of shares in certain Companies as a result of speculation or in the hope of securing the Agency commission. The existence of this element is frequently forgotten in the consideration of the question of how corners arise or how they can be combated.

The Majority of the Atlay Committee has held studious silence in its report on this important subject. Perhaps it was deemed discreet to be so silent as otherwise they would have sat in judgment on some of their own colleagues. Thus those who are really responsible for the ruin of the poor *bona fide* investors have been allowed to go free while reproaches of a most unfounded and unjust character have been allowed to be made on the Association.

What Mr. M. A. Haveliwalla stated in his written statement to the Atlay Committee is most valuable. He said:

"Some of the leading financiers and Managing Agents formed themselves into syndicates with a view to float new enterprises and to recapitalise existing concerns, allotted most of the shares to themselves—their friends in the first instance—and thereafter passed the same on to he public at a substantial premium, *eg.*, the shares of the Tata Oil, Tata Assurance, Tata Bank and E. D. Sassoon United,"

Mr. H. C. B. Mitchell, Registrar of Companies and Administrator-General of Bombay, said:—

"The application which I receive from shareholders and others show the great desirability of some outside control over companies *qua* the investing public and I suggest that a strong Stock Exchange Committee which will refuse to allow shares to be dealt in on the Exchange unless the Articles etc. conform to certain rules in the proper control. For instance I would suggest that such a committee might well refuse to allow dealings in shares which carried no votes or of companies whose Managing Agents were irremoveable or paid by a commission on gross profits."

The Association beg to draw the attention of Government to the following views expressed by them to the Enquiry Committee :—

There has undoubtedly been blind prejudice against the Stock Exchange due, it believes, to several causes which are beyond the control of the Association as pointed out to His Excellency in their letter of 18th July 1923. Interested financiers and promoters of new Companies are mainly responsible for the unfair attacks overtly or covertly made. The Association respectfully prays that the present vicious system of carrying on business of Joint Stock Companies, whereby self-constituted Agents and Directors armed with arbitrary powers they have conferred on themselves, requires searching investigation. My Association particularly drew the attention of the Enquiry Committee to this matter but regrets to find that no enquiry whatsoever has been made in this direction. Unless the root-cause of public grievances is probed to the bottom and removed once for all the public would not be satisfied, even though the best f rules for the management of the Stock Exchange are framed.

The most important part of inquiry has been in reference to rule about the "cornering" practice. If this question is satisfactorily settled once for all, everything else will go on smoothly. In the opinion of the Association it was absolutely necessary to go into the history of past few corners, and to question witnesses as to their practical personal experience. By whom such corners were originated ; by what method they were and how they were engineered whether by bulls or by bears or by both alike, and how far they were prejudicial to the interests of the *bona fide* investing public. Unless such investigations are made it would be futile to allege how far rule No. 26 is expedient or not. Even Mr. Mafatlal Gagalbhai, operator of two corners, considers from his personal experience the advisability of such a power. The very fact that the Association appointed a Corner Committee to suggest amendments and modifications in the rule shows that the rule as it is, requires improvement in some respects. What is necessary is to remedy the evils arising from this rule but at the same time to give some powers to the Exchange which will be instrumental in preventing disasters in cases of a corner. Unless the defects and merits of the rule are discussed at length with the object just stated nothing tangible can be achieved by way of genuine success. It is however regrettable to learn that nothing so far has been accomplished in this direction. The enquiry was confined to a single narrow question as to whether the rule should be retained or cancelled.

The Association will now proceed to deal with the question of corners. The conclusions of the Majority of the Enquiry Committee are based not upon any facts of personal knowledge or experience adduced by some of the witnesses but on their personal beliefs ! Not a single witness from the public out of 25 who gave their evidence before the Committee was able to prove with facts and figures that corner was forced upon the bulls by the bears, who by frequent sales, depress the market and the value of the shares ; that as prices fall, banks, seeing the margin of the securities they hold greatly receding, call for further security to safeguard the advances they make ; and that under this condition the bull must buy all that is offered him to support the market and counteract further depreciation of the securities in which he speculates.

As a matter of fact, no witness from the public (except Mr. Mafatlal Gagalbhoy) who gave his evidence before the Committee had any personal experience or knowledge of past corners. Neither was any one of them interested in such. Necessarily, they were not in a position to find out whether those corners were engineered either by the bull or by the bear. Neither they were aware whether the corners were intentional and premeditated or unintentional and involuntarily forced upon bulls by reckless short sales. On the other hand, the evidence given by members of the Association and their official representation prove beyond all doubt that " corners were mainly forced on the market by individuals or syndicates intending to squeeze the bears ". This is well borne out by the Minority Report which states as follows :—

> " It is proved by the evidence recorded before us and *there is no evidence to the contrary* that the majority, if not all, of the corners in recent times were entirely due to capitalist interests attempting to squeeze the members of the Association or their unwary clients."

It is a matter of no little surprise that the actual authors of corners and their associates and henchmen did not come forward as witnesses ! It was essential in the true interests of the public that their evidence should have been recorded. Surely, it stands to reason that all those persons who felt aggrieved and believed that they were unjustly treated by the Association ought to have courageously offered themselves as witnesses before the Atlay Committee. The real truth would have then been fully investigated and brought to light. The Committee observes :—

> We had no authority to enforce the attendance of witnesses or the production of documents. We had, therefore, to rely on that evidence which was voluntarily placed before us, and it is possible that evidence both relevant and material to our enquiry has been withheld.

What may then be the weight Government should attach to the Majority Report of the Committee which had no authority to summon witnesses before it. Such being the case, it was improper to offer gratuitous criticism on mere vague statements or beliefs on the conduct and action of the Association in reference to corners ; and yet strange to relate the majority of the Committee have not been slow to indulge in criticising of the action of the Association.

The Minority Report reads :—

> " The conclusions of the Committee on this vexed question (of corners) are, I respectfully venture to observe, based upon vague generalisations."

Under the circumstances, it is assuring to notice the several observations that have been made in the Minority Report. Let the impartial public judge of the following sentences which are placed in parallel columns :—

Majority Report.	**Minority Report.**
Yet there is in the frequent fixing of prices by the Committee of Management a more serious cause of criticism and complaint, and the method devised by that Committee to combat corners, an undoubted evil in any market, has encouraged rather than checked their growth.	While I agree with the majority of the Committee that corners are an undoubted evil in any market, I respectfully and entirely differ from the conclusion of the said majority that the method devised by the Association to combat corners has encouraged rather than checked their growth.
We find, however, that the fundamental cause of all embarrassment in the affairs of the Association is the interference by the Association with the course of free trading in the market.	I also differ from the finding of the Committee that the action of the Association taken under Rule 26 is an interference with the course of free trading in the market or that it is the fundamental course of embarrassment in the affairs of the Association. In my opinion the enforcement of Rule 26 is an attempt to restore in some measure free trading in a market when dominated by one interest in the hands either of an individual or a syndicate. It is an idle pretence on the part of the bulls to urge that if their mischievous activities are sought to be checked it is an interference with free trade.
But, in our opinion, the most sinister manifestation of speculation in Bombay is the frequent occurrence of corners in the market ; and the policy and practice of the Association with regard to corners appears to us to constitute the head and front of their offending.	I have come to the conclusion that the corners, the occurrence of which is described as a sinister manifestation of speculation in Bombay in recent times, are not in any manner due to the practice or policy of the Stock Exchange. They have their origin in the efforts of the capitalist holders of the shares to squeeze the unwary public.
A corner is no longer a rare occurrence. On the contrary it appears to have become a recognised phenomenon in the share market of Bombay.	It has been stated in the report of the Majority that corners have become a recognised phenomenon in the share market of Bombay. If by that statement it is intended to convey that speculation in the Bombay market is anything like what it was in boom time, that conclusion is erroneous and contrary to facts.

Majority Report

We are informed by a witness, whose information we cannot doubt, that all possible influences are brought to bear upon the members of the general body and upon the member of the Board, so that the time and manner of the Board's intervention may be profitable to bull or bear.

We think that the narrative of these events is sufficient to show that there is some great defect in the policy or the management of a market where such remarkable conditions prevail.

It appears to us that the bulls buy and the bears sell as part of a gamble in differences, and the dice is loaded for that party which can prevail upon the Committee of Management to intervene and fix prices at such time as is to their advantage.

In our opinion there is one cure alone and that is that the short seller should, in the absence of fraud, be left to pay the penalty.

We propose that Rules 26, 26 (k) and 26 (kh) of the present rules of the Association should be abolished.

Minority Report

Mr. Jugjivan Ujamsey has also spoken about the influence which a certain syndicate attempted to bring to bear on the Committee of the Association in reference to the declaration of corner and fixing of rates. The Committee have considered that evidence credible and I do not desire to comment on that part of the evidence, for however immaculate a Committee may be, they cannot prevent an attempt being made to influence them in their decision.

I am of opinion that frequent occurrences of corners in a market is not a healthy sign but the real question is whether the policy and the practice of the Association are, and if so to what extent, the cause of such occurrences. This matter has been dealt with in the Report without a proper and careful examination of the evidence recorded before us and the conclusions of the Committee on this vexed question are, I respectfully venture to observe, based upon vague generalisations.

The only evidence we have is not of any interested application but of an **attempt** on the part of a syndicate to prevent its application.

It appears to me that the Rule in the term I have suggested is a fair solution of all the difficulties which have been suggested and appeared at one stage to find favour even with the Majority of the Committee. I notice however that their final conclusion is a recommendation for the removal of the said Rule.

I entirely disagree with the view that the cure for corners is the abolition of Rule 26.

I am of opinion that the abolition of the said rule is not only unnecessary but such abolition is sure to result in trouble and mischief and that the rule as stated in paragraph 27 of my report is the only real weapon against the raids by capitalist interests on the Stock Exchange. It is proved by the evidence recorded before us (and there is no evidence to the contrary) that the majority if not all, of the corners in recent times were entirely due to capitalist interests attempting to squeeze the members of the Association or their unwary client.

Majority Report

But we, the undersigned members of this Committee, desire to impress upon the Government with all the emphasis at our command the necessity of prohibiting by legislative enactment all forward dealings in stocks and shares in the city of Bombay, if the members of the Association reject the opportunity now afforded them of introducing the necessary change in the policy and practice of the Association regarding corners.

Minority Report

It is I think an idle threat to suggest that if the guidance which the Majority Report purports to afford to the Association is not accepted by the Association that the Government would or should interfere by prohibiting all forward trade in stocks and shares; it is equally erroneous to suppose that such interference by the Government would work in the interest of the general community, and it is equally a vain hope to think that the Majority of the Committee would succeed in forcing the hands of the Association in accepting their recommendation in the matter of this Rule by telling the Association that in default of their doing so their members would be deprived of the means of livelihood.

It appears to me that the threat held out of prohibiting forward dealings is resorted to in the belief that the members of the Association would submit to the abolition of the said Rule 26 whether such abolition was right or wrong as otherwise it is supposed that their trade would stop with the prohibition of forward dealings. This is an unfounded belief as some of the broker witnesses have stated that they would rather have no forward dealings than deal on the Stock Exchange without some such rule as Rule 26.

I also wish to say that as a matter of principle interference by the State in trades like the Share and Stock Brokers is undesirable if not improper. That opinion has been emphatically expressed before the Committee by Sir D. E. Wacha, a gentleman of great civic reputation, having intimate knowledge of the economic conditions of India and of Bombay in particular. After a full criticism and fair recommendation the matter must be left to be adjusted by the demands of public opinion. The members of the Association, I believe realise that "the Stock Exchange cannot succeed and that it cannot be responsive to the public demands which are made upon it unless it lives up to the highest possible standard of its obligations to an enlightened public sentiment."

That at present no case has been made out for the necessity, propriety or utility of legislation for regulating business on the Stock Exchange in Bombay.

Majority Report	Minority Report
There is in this Article (Article XV) of Association no express reference to the protection of the interests of the public which are assured by the Association is one of their chief cares (see foot-note).	In my opinion undue emphasis is laid in the Report on the fact that the aims and objects of the Association do not specify in some manner the protection of the public. This observation is founded on a misconception. If brokers associate themselves into a body, the objects would primarily be those which affect themselves, but when one of the objects of the Association is to promote honourable practice it may be fairly assumed that the Association is concerned to act honourably towards those who employ them, *viz*, the speculating or investing public.*
However, there admittedly exists at present no defined procedure by which a complaint from a member of the public against a member of the Association may be enquired into.	The only reason why the Association has not hitherto undertaken the investigation of any complaint from a client against a broker is that unless the client is prepared to submit to the decision of the Association, such investigation is of little or no value.

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* Before I complete my speech I wish to draw your attention to one more point. In one paper a meaningless remark is made that in one of our proposed rules it is stated that the bazaar is established for the protection of the character, status and interests of brokers. The writer states that nothing therein is mentioned about the public. After reading the article I believe that the writer gives sufficient indication of the absence of any knowledge or experience of a Stock Exchange. The protection that is to be afforded to the public will not be so afforded by mere words to that effect appearing in the book containing the rules and regulations but our actions must show whether that protection is given or not. It is to be seen whether or not the existing rules aim at affording protection to the public. Besides this by stating only the first portion of the rule he tries to mislead the public. The whole rule aspires to be moral and runs as follows :

> " The said Exchange is established to support and protect the character, status, and interests of brokers, dealing in Bombay in shares, stock, and other like securities and exchange, to promote honourable practice, to discourage and to suppress malpractices, to settle disputes amongst brokers, to decide all questions of usage or courtesy in conducting brokerage business."

The public can get protection only if the share bazaar is managed with this object *viz.* promoting honourable practice and discouraging and suppressing malpractices. From this, gentlemen, you will observe that this rule is regarding only the ethical purpose of the brokers. Such a clear rule relating to morality is not to be found in London Stock Exchange but it is to be found in other Stock Exchanges even where the word " PUBLIC " is not inserted. I challenge this writer to show me the word " PUBLIC " in such a rule of any Stock Exchange. I am prepared to point out the rules of many Stock Exchanges in which words similar to those embodied in our rule are used without the insertion of the word " PUBLIC ". And this is quite right. These remarks are meaningless and ridiculous :—Speech of the President, published on page 81 of the Report of the Enquiry Committee.

The Association now proceed to discuss their policy and practice with regard to corners, which the Majority of the Atlay Committee seem to think as standing self-condemned. What is condemned by that Committee was in reality recommended by the Hughes Commission, and the Association adopted it with a view to combat the evils of corners. On 14th December 1908, Hon. Charles E. Hughes, Governor, Albany, New York, appointed a Stock Exchange Enquiry Committee of ten *experts*. They were all *independent* investigators of high character *thoroughly conversant with methods and practice of stock exchanges.* They were in no way personally interested in the operations of the Stock Exchange. Their report reads :

SHORT SELLING.

We have been strongly urged to advise the prohibition or limitation of short sales, not only on the theory that it is wrong to agree to sell that what one does not possess, but that such sales reduce the market price of the securities involved. We do not think that *it is wrong to agree to sell something that one does not possess,* but expects to obtain later. Contracts and agreements to sell, and deliver in the future, property which one does not possess at the time of the contract are common in all kinds of business. The man who has " sold short " must some day buy in order to return the stock which he has borrowed to make the short sale. Short sellings endeavour to select times when prices seem high in order to sell, and times when prices seem low in order to buy, their action in both cases serving to lessen advances and diminish declines of price. In other words, short selling tends to produce steadiness in prices, which is an advantage to the community. No other means of restraining unwarranted marking up and down of prices has been suggested to us.

The legislation of the State of New York on the subject of short selling is significant. In 1812 the legislature passed a law declaring all contracts for the sale of stocks and bonds void, unless a seller at the time was the actual owner or assignee thereof or authorised by such owner or assignee to sell the same. In 1858 this act was repealed by a statute now in force which reads as follows :

> " An agreement for the purchase, sale, transfer, or delivery of a certificate or other evidence of debt, issued by the United States or by any State, or municipal or other corporation, or any share or interest in the stock of any bank, corporation or joint stock association, incorporated or organised under the laws of the United States or of any State, is not void, or voidable, because vendor, at the time of making such contract, is not the owner or possessor of the certificate, or certificates or other evidence of debt, share or interest."

It has been urged that this statute " specifically legalizes stock gambling". As a matter of fact, however, the law would be precisely the same if that statute were repealed, for it is the well settled common law of this country, as established by the decisions of the Supreme Court of the United States and of the State Courts, that all contracts, other than mere wagering contracts, for the future purchase or sale of securities of commodities are valid, whether the vendor is, or is not, at the time of making such contract, the owner or possessor of the securities or commodities involved, in the absence of a statute making such contracts illegal. So far as any of these transactions are mere wagering transactions they are illegal, and not enforceable as the law now stands.

It has been suggested to us that there should be a requirement either by law or by rule of the Stock Exchange, that no one should sell any security without identifying it by a number or otherwise. Such a rule would cause great practical difficulties in the case of securities not present in New York at the time when the owner desires to sell them, and would increase the labour and cost of doing business. But even this were not the effect, the plan contemplates a restriction upon short sales, which, for the reasons set forth above, seems to us undesirable. It is true that this identification plan exists in England as to sales of Bank shares (Leeman Act of 1867); but it has proved a dead letter. It has also been used in times of apprehended panic upon the French Bourse, but opinions in regard to its effect there are conflicting. While some contend that it has been useful in preventing panics, others affirm that it has been used simply for the purpose of protecting bankers who are loaded down with certain securities which they were trying to distribute, and who, through political influence, procured the adoption of the rule for their special benefit.

CORNERS.

> The subject of corners in the stock market has engaged our attention. The Stock Exchange might properly adopt a rule providing that the Governors shall have power to decide when a corner exists and to fix a settlement price so as to relieve innocent persons from the injury or ruin which may result therefrom. The mere existence of such a rule would tend to prevent corners.

The conclusions of the Hughes Commission above quoted are of very great importance. Here are the two reports, *viz.*, of Hughes Commission and the Atlay Committee. The former recommends the Stock Exchange to adopt a rule and to take powers to fix a settlement price in case of a corner, the latter condemns this policy ! In other words against the opinion of ten *independent* and *uninterested* experts, arrived at after six months of laborious investigation, is that of a committee of six with only one expert, hurriedly arrived at. It is left to the independent public to which opinion weight should be attached.

Apart from this, the following extracts from the evidence of Mr. H. C. B. Mitchell, Registrar of Companies and Administrator-General of Bombay, Sir Dinshaw E. Wacha, Mr. A. G. Gray, the Manager of the Bank of India, Mr. Manmohandas Ramji, the present Chairman of Indian Merchants' Chamber, Mr. Mafatlal Gagalbhoy, operator of corners in Standard and Kohinoor Mills, Mr. N. M. Dumasia, the supporter of the resolution for the appointment of the Enquiry Committee in the Legislative Council, Mr. E. F. Groombridge, a share and stock broker but a non-member, Mr. B. F. Madan, a financier, Mr. F. F. Stileman, representative of Mill-Owner's Association, and Mr. F. C. Annesley, representative of Bombay Chamber of Commerce, support the conclusion namely, that the rule of the Association is right in principle, but that they should have no power to fix the price. Only they are of opinion that corner rule should be modified or altered.

In the Minority Report it is observed :

> Of all the brokers who gave evidence Mr. N. M. Dumasia was the only one who recommended the abolition of Rule 26. Mr. Dumasia is a journalist by profession and deals on the Stock Evchange as a second string to his bow and has (to use his words) considered it immoral to trade except as a Bull.

Mr. H. C. B. Mitchell, Registrar of Companies and Administrator-General of Bombay, in his written statement to the Atlay Committee said :

> " From the annual returns of members it appears that even in the shares of the Companies which are the biggest gambling counters *less than 30 per cent* of the *usually small* capital is really in the market in any one year and except for these few perhaps 10 per cent of the capital would be an outside figure for what is really on the market.
>
> " This would appear to make it extraordinarily easy to " corner " the market and some method of dealing with corners is therefore desirable."

EXTRACTS FROM THE ORAL EVIDENCE OF SIR DINSHAW WACHA.

Mr. Pherozesha M. Dalal :—With regard to fixing prices at corner time, what is your opinion ? Is it whether the Committee should fix the price or leave the market to take its own course ?

Sir Wacha :—If the market takes its natural course it will be alright. But the Bombay market is so stupid that it does not know its own interest, and *tries to rig up prices far beyond the intrinsic value of the shares extensively bought and sold.*

Q.—At the time of corners, would you agree to the maximum price being fixed or... ?

A.—In the first place your allegation is against the stock brokers. *You accuse them for nothing. Those who really fix the prices are the cornerers and their proteges.* That is a muddle between the interested parties, namely, the cornerers and the Committee.

Q.—You think that public opinion will be sufficient ?

A.—Yes ; educated public opinion is quite sufficient.

Q.—The public opinion of Bombay, has it had any effect on the Stock-Exchange during the last 4 or 5 years ?

A.—I began with saying that *there is no public opinion in Bombay.*

Q.—Public opinion such as it is ?

A.—*It is good for nothing.*

EXTRACTS FROM MR. A. G. GRAY'S EVIDENCE.

Sir Wilfrid Atlay :—As regards corners you say :

> "The question of 'corners' is an exceedingly difficult one, the declaration of a corner may on occasions be perfectly sound and in the best interests of all parties concerned, on the other hand, the reverse may be the case.
>
> "When transactions in a particular scrip develop into a pure gamble in differences it is possible that a corner should be declared, this course, however, should be adopted only as an extreme measure and should be subjected to safeguards."

You also say that a difficulty will arise in the selection of an Appeal Board composed of disinterested parties. Does that mean that you are in favour of fixing-up prices and making-up prices ?

Mr. A. G. Gray :—I think, as an extreme measure, it may be necessary for somebody to come in and say " This man cannot call for 10,000 shares when there are only 7,000 shares in existence". On the other hand, you may allow the matter to go to law, and it may be left to the High Court to decide, outside the Exchange altogether.

Mr. Bhulabhai J. Desai :—With respect to speculation and corners is it correct that in your experience corners are started by men who have got in their name a bulk of shares of a particular stock ?

Mr. Gray :—I do not confirm and I am not in a position to deny it.

Q.—Is not a corner created by those people who, having chosen to take up a large number of shares considering it in their interest, go on purchasing shares at high price and then try to get rid of the shares they have bought ?

A.—These people, having chosen to take a majority of the shares, *decide to go on buying shares and a corner is created.*

Q.—If the price goes far beyond the intrinsic value, at what stage it ought to be stopped according to you ?

A.—Who is to stop it ? I have stated that declaring a corner should be adopted only as an extreme measure.

Q.—Have you seen the rules relating to corners ? Have you any qualifications to suggest ?

A.—It is a very difficult question. I am not competent to throw out a very useful suggestion.

Sir Fazulbhoy Currimbhoy :—Don't you think that the bears sell more shares than there are in the hope of lowering prices with a view to coming in to cover their shorts when the prices go down ?

Mr. Gray :—I think it is six of one and half a dozen of the other.

Q.—Sometimes the bears sell so heavily ?

A.—*They cannot sell unless there is a corresponding buyer.* The big financing banks might just as easily finance a bull as a bear.

Capt. E. V. Sassoon :—You also stated that a corner was not necessarily started or caused by a syndicate or individual who already held a large number of shares. Do you agree, as is stated by some people that corners are formed by an individual or syndicate buying shares for a rise which they foresee and then having to buy more shares on account of the bear trying to depress the market ?

Mr. Gray :—I do not say anybody is obliged to buy. They consider it to their interest to buy.

Q.—They do it in order to protect themselves ?

A.—They consider it is profitable to buy, otherwise they would not buy. They think they are saving greater losses, but generally speaking, I do not hold that view.

Q.—You say they think it is necessary to buy more than what they would otherwise have done so as to protect their position ?

A.—They frequently think that ; I do not necessarily agree with them. That is the view that is advertised to the public, the ordinarily accepted view. In some cases it may be correct, and in others it may be incorrect.

Q.—There are occasions when they do not intend to make a corner ?

A.—Ill-advisedly they find themselves cornering.

Q.—As the difficulties are so large, don't you think that *the English method, which is merely to suspend the buying-in rule and allow the actual settlement of the outstanding bears to be settled by the courts* would be better ?

A.—I do not feel that I am competent to give any really useful suggestion. So far, I cannot come to any definite conclusion as to the best method of dealing with these corners. I have had 15 methods suggested, but I am not prepared to subscribe to any one of them.

Q.—Do you lean towards an appeal board ?

A.—Yes.

Sir Wilfrid Atlay :—With reference to your answer to Capt. Sassoon's question on corners, will you please explain to me why it is necessary for the bull to keep up prices ?

Mr. A. G. Gray :—The bull probably gets finance in certain directions, which is to the bull's interest. He must see that a reasonable quotation is maintained. He probably borrows money against the shares. He must keep up a certain amount of margin. The price must be maintained otherwise the bull will be called upon to pay cash to his banker as margin money

EXTRACTS FROM MR. MUNMOHANDAS RAMJI'S ORAL EVIDENCE.

Mr. Bhulabhai J. Desai :—Do you agree that in any institution which you may create, it is desirable to have a rule for dealing with corners ?

Mr. Munmohandas Ramji :—Yes.

Sir Purshottamdas Thakurdas :—Do you know that in London the man who sells short is not protected at all by the Stock Exchange Committee ? He has got to fulfil his contract by coming to any settlement he can with the buyer. The idea there is that if a man sells what he has not got, he deserves no protection. Would you recommend a thing like that for the Bombay market ? Won't that put a stop to corners with certainty ?

Mr. Munmohandas Ramji :—If that rule is introduced, then I think in some cases *some parties will have to suffer very heavily.* In a way *it may encourage corners* ; it will encourage buyers, but discourage the sellers.

Mr. Munmohandas Ramji said in his written statement as under:

"In case of corners, when the Managing Committee is satisfied that there is a corner in a particular scrip they should consider the situation at a meeting specially called for that purpose and if it is decided by a majority of three-fourths. of the members present that there is a corner, they should declare forthwith a corner in the particular scrip and should fix rate for settlement and if necessary widen the contract by making it possible for the Board to add other scrips of similar nature and fix their price."

EXTRACTS FROM MR. MAFATLAL GAGALBHOY'S EVIDENCE.

Sir Purshottamdas Thakurdas :—A man who does not possess a thing has no right to sell it. *If he sells so, it is a gamble* ?

Mr. Mafatlal Gagalbhai :—Every seller does not understand that he has oversold. But the buyer knows that he has overbought the shares.

Q.—Suppose that it is suggested to you that the man who sells scrips without possessing them *is a nuisance to the public* and should not be encouraged and that therefore there should be no protection given to him by the Stock Exchange Committee of Bombay ?

A.—Then it is better to have cash business.

Q.—You suggest that the business should be restricted to cash, leaving forward business open without any control in the nature of rule 26 ?

A.—**There must be rule 26.**

Q.—Inspite of the fact that the Stock Exchange Committee fixed the price, when you cornered, at a rate unfavourable to you ?

A.—There must be some basis for settlement.

Q.—Where is the harm if the bulls and bears are left to themselves to settle the price ?

A.—**It is impossible. Rule 26 should not be abolished.**

Mr. Pherozeshah M. Dalal :—Can you tell me how many shares you bought altogether before the Kohinoor corner was made ?

Mr. Mafatlal Gagalbhai :—I cannot say.

Q.—In how many days were you able to buy all those shares ?

A.—Within two settlements.

Q.—After the prices were fixed by the Board, were you able to buy more shares ?

A.—No.

Q.—The bears stopped sales then ?

A.—There was no seller.

Sir Wilfrid Atlay :—If rule 26 was taken out of the book altogether what would happen ?

Mr. Mafatlal Gagalbhai :—**It would create a panic in the market. A man with powerful financial backing may come on the market and he may buy to any extent.**

Q.—When you take out rule 26, the Committee should be given the power to suspend buying-in. Will that not meet the case ?

A.—The Committe won't be able to know when the corner is made, and so the public would be put in great difficulty. The most reasonable thing is for the Board of the Exchange, when it sees that a certain scrip is being cornered, *to stop business*, and make the seller pay 25 per cent. penalty to the buyer above the rate to be fixed on the balance sheet. That is the only solution for forward business.

Sir Fazulbhoy Currimbhoy :—Was rule 26 included in the rules before 1910 ? Was not the market going on steadily before 1910 ?

Mr. Mafatlal Gagalbhoy :—Before 1910 there were no corners; the public had not that capacity, and there was not so much gambling. Now I have myself cornered the shares of the Standard and Kohinoor mills.

EXTRACTS FROM MR. N. M. DUMASIA'S ORAL EVIDENCE.

Mr. Bhulabhai J. Desai :—Your objection to rule 26 is that they must not fix the price ?

Mr. N. M. Dumasia :—Yes.

Q.—Will you for one moment leave aside the question of fixing of price. Supposing no price is fixed, but a stage was reached when it was thought prudent *to suspend further dealings* in a particular scrip, would you approve of that rule ?

A.—*There is no objection.*

Q.—In other words you will approve of a rule where in a crisis future dealings may be suspended without affecting the past contracts ?

A.—Yes.

Q.—As regards past contracts all you want is that the court should fix damages ?

A.—Yes.

* * *

Q.—The last answer you gave me is, that you did not wish the Stock Exchange to intervene and suspend dealings however high or however low the prices may be. Is that consistent with your evidence that a rule should be allowed to exist whereby dealings may be suspended at a certain point ?

A.—If dealings are suspended it will not affect past transactions. They should not fix prices for the transactions already contracted for.

Mr. Dumasia (to the Chairman) :—I propose that the rule should be modified in this way. When there is a corner the Committee may declare a corner and the bulls and bears should settle between themselves.

Q.—That is, you will suspend for the time being the buying-in rule ?

A.—Yes, If you fix the prices, our contractual rights are taken away.

EXTRACTS FROM MR. E. F. GROOMBRIDGE'S ORAL EVIDENCE.

Capt. E. V. Sassoon :—What would you suggest ? (about corner rule)

Mr. Groombridge :—I suggested one or two alternative which do not seem to be viewed with favour. *Whatever rule you lay down, there will be corner*; but it will not be productive of such serious results. This rule I would suggest. The present committee as soon as it is confident that there is a corner *it should fix a rate at which all transactions should be closed;* and short sales should be closed at a different rate. From that date that particular share should not be dealt with in the market for a certain period either for forward settlement or for cash.

Q.—Let us assume that somebody has bought shares on a margin. Let us assume that bears make a raid on it to drive it down. If your rule is adopted would it not be unfair to the bulls ?

A.—Probably not fair to the bulls ; but *it is the bull, I still maintain, that engineers the corner.*

Q.—Let us assume that somebody has bought some shares on a margim. Let us assume also that bears make a raid and try to drive it down and see that the margin is exceeded. If your rule is in existence he cannot buy any more shares. The bull has to buy shares in order to protect himself ?

A.—The bull would not buy more shares than there really exists, and individual bears do not know that there is a corner.

EXTRACTS FROM MR. B. F. MADAN'S ORAL EVIDENCE.

Capt. E. V. Sassoon :—I am talking about the inherent weakness in the fixing of maximum prices. I am asking whether the Board were justified in considering that the value of the share at that time was very different from the real value at some previous period.

Mr. B. F. Madan : —I may say this Sir, the Board being the arbiter between the two parties dealing on the Exchange **would be perfectly justified in fixing the prices** when the dispute could not be settled otherwise; that is, when delivery day came along and some parties were unable to deliver. My belief is that the practice in other parts of the world is this: if on actual delivery day a corner is found and parties are unable to deliver, then the dispute goes to the Board and the Board says "*Under all the circumstances this is a fair price and we must ask both of you to settle at that price and finish up.*" But in no part of the world does the Board fix the price a month to two in advance and practically say to the bear "Go head long as you like: here you have a certainty that your loss will be limited". It may seem extravagant to put it thus but this is what it really amounts to when further sales are permitted after a corner is officially admitted and prices are fixed. *If the Board only fix prices when it came to the point of delivery and delivery was found to be impossible, that would be correct.* That would be the position that a court of law would take up.

Q.—You do not want to suspend buying-in on account if there is a corner ?

A.—In the case of a corner buying-in on account should be suspended.

"Mr. F. F. Stileman (representative of Bombay Mill Owners' Association) considers that power to declare corners should be retained in the rules of the Association but its exercise should be left to an independent committee."—Minority Report.

"Mr. F. C. Annesley (one of the representative of the Bombay Chamber of Commerce) states as follows in his written statement submitted to the Committee :—

"I think a purely cash basis for business would prove unworkable. Forward business is not in itself objectionable on right lines.

"The Committee (of the Association) should have power when they see transaction in any particular stock assuming undue proportions to veto further transactions for a time and call on parties for their statements, but I don't see why they should fix prices.''—Minority Report.

The Association beg leave to point out what appears on the face of it rather striking and strange in connection generally with the conclusions arrived at by the Majority. These seem to be greatly at variance with the deliberate statements expressed by almost all the most important witnesses in their evidence as quoted above.

Some of these witnesses it may be mentioned are independent men in whom the public have the greatest confidence owing to their larger experience. The conclusions of the Committee seem on the very face to be against the weight of the evidence of these important men.

Though the rule No. 26 for corners is sound in principle and legal, the main objection against its continuance is the power it gives to the Association to fix a maximum price during the course of settlement even before the delivery day. The Association are agreeable to give up this power. They are willing to allow bulls and bears to complete their contracts at whatever rate they may amicably settle. If they themselves do not arrive at any settlement, the Association will not fix any rate of final settlement as has been the practice hitherto but will allow them to go to a court of law, if they so desire to claim damages. No injustice can be done thereby to any one. The final decision will rest with the court. The Association have therefore no objection to repeal the rule 26 for the season stated.

The Majority Report states that though the present President of the Association sees no way out of the present difficulty, they see none. In their opinion, "there is one cure alone and that is that the short seller should, in the absence of fraud, be left to pay the penalty."

This is reasonable. The Association agree. But it is *not a cure*. The short sellers have to pay the penalty and in all cases hitherto they have paid heavy penalties. The question is who should decide what should be the penalty. Certainly, it cannot be decided by bulls as recommended by the Majority. They are the parties most interested. They are the complainants. They cannot dictate their own terms. For the same reasons 'bears' also cannot decide what penalties they should pay. The Managing Committee of the Association is the only competent body to settle the question of penalty as arbitrators in case bulls or bears do not come to terms amicably. This was what the Association used to do, as explained by the President at his oral evidence given below:

Capt. E. V. Sassoon:—You develop this in 26 (kh). When there in a corner and when more shares have been bought than what actually exist, if you put a maximum price, would you not be protecting the bears?

A.—The bears are not protected because they have to pay the penalty. We have to interfere when the shares cannot be bought-in. If we do not interfere and fix the price, the party will have to go to a court of law and the court would fix the price and award damages. Instead of that we decide it here ourselves (as arbitrators).

But if it be the opinion and desire of Government and the public that the Managing Committee of the Association should not assess the penalty as arbitrators, the Association after hearing the decision of Government agree not to interfere in the matter of ascertaining penalty or damages and leave them free to go to court. The court no doubt will ascertain the measure of damages and the short sellers have to pay. But this is no cure. Such a procedure will not prevent corners in future. The following particulars will not only show how fictitious were the prices of shares that were cornered but also serve the purpose of proving that the rate fixed by the Association for ascertaining the legal claim for damages was very just to the buyers.

	Fazalbhoy.	Finlay.	David,	Currim.
Settlement price fixed by Association...	2155	1850	1975	2175
Market price soon after corner ...	1400	950	1350*	1000

The Association beg to invite the attention of the Governor of Bombay in Council to Penal Law, section 953, of New York, the summary of which is as under:—

"**Manipulation of Prices of Securities, or 'Rigging the Market' Penal law, Sec. 953.**

Summary. **Any person who influences or attempts to influence the market prices of securities by means of fictitious purchases, sales, or other transactions or devices, is guilty of a felony punishable by a fine of not more than $ 5000 or imprisonment for not more than two years, or by both."**

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* The syndicate would not have been able to realise even this price. But taking into consideration the fact that the purchase of all these shares would bring to Messrs. E. D. Sassoon & Co., the Agency of the David Mills, this price was obtained by the Syndicate.

What the *New York Times* published in its issue of the 23rd April 1924 will be read with interest It is as under :—

TRIED AS MARKET "RIGGER".

" William A. Foster was to receive $25,000 in cash and stock in the North American Oil Company, valued at $75,000 for his services in having the stock listed on the "big board" and for a promise to maintain its price for 90 days, according to testimony yesterday before Judge C. C. Nott Jr. in General Sessions where Foster is being tried on a charge of "rigging" the market for stock. Foster was indicted June 13, 1923, as the result of an investigation by Assistant District Attorney Joab Banton and the officials of the New York Stock Exchange.

The trial is said to be the first in New York County under the statute against "wash sales". Foster is alleged to have given one broker an order to buy 500 shares of the stock at $32, although it had previously been selling for $4 and $6 on the curb and then ordering another broker to sell 500 shares at $32. The stock was listed on the Stock Exchange one day but its movements attracted the attention of the Board of Governors who investigated the circumstances surrounding the fixing of the price at $32 after which they stopped trading in the issue.

Clay J. Webster, formerly Chairman of the Board of Directors and now President of the North American Oil Company, testified to the Company's relations with Foster. Foster, he said, promised to put the stock on the "big board" for $ 32 a share but he, the witness, and C. F. Colcord, then President of the Company, maintained that $ 32 was too high and would most likely cause those who held the stock to sell it because of the attractive price.

The witness further asserted that Foster had been told that $ 32 a share was unwarranted because the stock of the companies absorbed by the North American Oil Company, had never sold above $6 a share and had sold as low as $ 2. Webster said he gave it as his opinion that the stock should be listed at between $8 and $12 a share.

For Foster's work, said Webster on direct examination, he was to receive $ 25,000. On cross-examination by A. J. Halpern of 256 Broadway, Webster said that in addition to the $25,000 cash Foster was also promised $ 75,000 worth of stock in the oil company on the agreement that he would maintain the market for three months.

As the jury was being drawn Foster intimated to reporters that some "interesting" sidelights on Wall Street would be brought out during his testimony."

Mr. William Asa Foster, 65 years old, was convicted by a jury in General Sessions of "rigging" the market in the Stock Exchange in November 1922 and was sentenced to from two to four months in the penitentiary. The jury recommended "extreme clemency" for the convicted man, who paled and trembled at the announcement of the foreman.

Judge Charles C. Nott gave the case to the jury shortly before 1 P.M. and the verdict was returned six hours later. Foster and his wife remained in the court during the six hours. Foster freely discussed the case with Assistant District Attorney, Albert B. Unger, while awaiting the verdict and said "If I am guilty of violating the law then lots of brokers down-town are guilty of the same thing".

Judge Nott, after receiving the verdict, turned to the jurors and said "I will take into full consideration the recommendation of the jury. This is the first time the provisions of this statute have been enforced, although it has been a law for many years, and undoubtedly had been violated often. It is a law that should be enforced".

The court then took issue with lawyer's contention that Foster's crime did not involve moral turpitude, and added that the law undoubtedly had been frequently violated in the past with "tremendous losses to investors". Judge Nott said "It is impossible for the court not to recognise that this is the first conviction under the statute although there doubtless have been many violations of it both on the floor of the New York Stock Exchange and other exchanges. The defendant is the first to be convicted, and in that he is unfortunate. I must also recognise that he was acting as the agent for others, who were to profit more than he.

Now this defendant hardly is in a position to demand extreme clemency in the same way as the man who pleads guilty and saves the time and cost of the court. I am going to be lenient, however, I shall serve notice on others that it must be distinctly understood that I am setting no precedent in that respect. Others who come before me on similar convictions will receive punishment very much more substantial."

The abolition of rule 26 as is suggested by the Atlay Committee will, the Association are firmly of belief, not prevent corners in future. The question before the Association therefore is what policy and practice should in future be adopted to deal with corners hereafter formed. Judging from the tenor of the questions put to several witnesses it would appear that the Committee throughout the enquiry were of opinion that in such cases the buying-in rule should be suspended. This attitude, however, seems to have undergone at the last moment a wide change. Minority Report really recommends that procedure as a fair solution. For the Majority actually have recorded their opinion in favour of buying-in securities. They recommend that the rule shall not be suspended in the case of corners unless the Committee are satisfied that a *prima facie* case of fraud has been established. The Association must set their face against it because, such buying-in, if allowed by the Association, would undoubtedly expose the Association to the charge of being a party to fictitious transactions! aye, of practising deception! Surely, no association with any sense of self-respect and public morality would ever care to consent to such a preposterous proposal.

In the case of the last corner in Currimbhoy's shares, while the number on the company's register was 7,800 only, purchases were made of as many as 23,000. That was a huge corner and no mistake about it. The operators received 5,000 shares only from the Clearing House. Is it to be presumed that the Clearing House bought-in the balance of 18,000 shares? Was it reasonable or possible to have bought that number which had no existence? The Association have given this concrete instance in order to demonstrate the evident absurdity of the recommendation proposed. It is astonishing so many business men should have failed to recognise the transparent absurdity of the recommendation. The Association maintain that the Stock Exchange must have a rule authorising suspension of the buying-in of securities in cases where (with a view to protect public interest) securities do not exist, which can be made available for delivery.

On this subject the Association cannot do better than quote the opinion of the ex Chief Justice, Sir Walter S. Schwabe of Madras, who is a great authority on such matters:

> "The remedy by buying-in may be suspended by the Committee of the Stock Exchange, and has been so suspended in cases where, owing to some fraud or rig or from *some other causes there are no securities available for delivery.*"

The Association are in "absolute need of such powers for the safety and protection of their members and their clients, the public."

The policy and practice of the Bombay Stock Exchange should be the policy and practice of all Exchanges of repute, where such powers are recognized and conferred. Below may be quoted the rules in vogue on different Stock Exchanges.

Rule No. 146 of the London Stock Exchange.

The Committee may suspend the Buying-in of Securities, when circumstances appear to them to make such suspension desirable in the general interest. The liability of intermediaries shall continue during such suspension, unless otherwise determined by the Committee.

Rules Nos. 169 and 170 of the Liverpool Stock Exchange.

169. The Committee may suspend the Buying-in or Selling-out of Securities, when circumstances appear to them to make such suspension desirable in the general interest. The liability of intermediaries shall continue during such suspension, unless otherwise determined by the Committee.

170. Should the Secretary when attempting to Buy-in, be unable to find a Seller of the Securities at a price which the Chairman or Acting Chairman shall, if appealed to, decide to be reasonable, the Chairman or Acting Chairman may suspend the Buying-in.

Rules Nos. 187 and 188 of the Dublin Stock Exchange.

187. Should the Secretary, when Buying-in be unable to find a seller of the securities at a price which the President shall, if appealed to, decide to be reasonable; the member who gave the instructions may either continue the same from day to day until a seller be found, or else appeal to the Committee to take action under Rule 188, and in like manner, the Member against whom the Buying-in has been attempted may, after the third ineffectual attempt, similarly appeal to the Committee; and the Committee when so appealed to, may take such action as they see fit.

188. It shall be lawful for the Committee by resolution from time to time, and for such period as they shall think fit, to exclude any securities from the operation of the Rules as to Buying-in and Selling-out, and also any Bargain relating thereto not completed at the time of the passing of such Resolution.

Rules Nos. 98 and 138 of the Manchester Stock Exchange.

98. (Code Law 85). The Chairman or Acting Chairman may suspend the operation of the buying-in if the Member against whom the Buying-in is intimated appeals to the Committee, or if the circumstances, without such appeal, appear to the Chairman to require such suspension, until the matter has been submitted to, and decided by, the Committee at a meeting to be forthwith convened for the purpose.

138. Should the Secretary be unable to find a Seller or a Buyer for any Security which he has instructions to buy-in or sell-out, it shall be at the option of the Member who gave the instructions either to continue the Notice in force from day to day until a Seller or a Buyer be found, or else to demand that the Member against whom he wishes to buy-in or sell-out shall settle with him at a price to be fixed by the Committee, who shall declare the value of the Security on the day on which the Application was made.

Rule Nos. 93 (2) c of the Glasgow Stock Exchange Association.

At request of the member at whose instance buying-in has been attempted to fix a maximum price as in Clause (b) and further provided there may be no offer to supply said stock, shares or other securities, at or under said maximum price to cause members to settle at said maximum price, which settlement shall close the transaction in so far that it should settle and determine the responsibility of Members to constituents, and constituents to Members and Members to each other, but without prejudice to the claims of constituents, *inter se* which shall be enforceable by them otherwise than through the members and shall not be limited or affected by this Rule in any way; and the names of the said constituents shall be at once disclosed by the respective Members to each other.

From the above quoted rules, it is clear that all important stock exchanges have the power to suspend buying-in when *the securities are not available at a reasonable price.* More; they are also empowered to *fix the rate of settlement.* The Association in further support of the same subject beg to quote the opinion of Mr. B. E. Spencer Brodhurst, M. A., B. C. L. of the Inner Temple, Bar-at-Law. He writes:

> "The right of buying-in is, however, subject to modifications. The rule may be suspended by a resolution of the Committee in cases in which *it* would work unfairly."

In the famous Northern Pacific corner of 1901, there was no fraud whatever, still the Bulls were not allowed to buy-in the shares by the London Stock Exchange and a settlement price of 153 was arranged.

> The famous Northern Pacific corner of 1901, says the New York Times in its issue of the 30th March 1924, " arose from competitive buying of the stock for control by two factions who acquired and locked up more contracts to deliver the stock then there was Northern Pacific stock in existence. The result was that the shorts, including foreign bankers who had sold the stock short to be covered on arrival of the shares from London, were unable to borrow it for delivery. The cash price went up from 133 on May 6. to 180 on May 8; on May 9 the rate for such borrowed stock was 300 per cent., and the price of the common shares went to 1,000 on cash sales. While this was going on, the rest of the market broke from 10 to 60 points, even such stocks as United States Steel falling 23 points on the 9th of May, St. Paul 31 and Delaware and Hudson 60. In the end, the actual holders of the stock had to allow shorts to settle at a price of 150. Nearly two weeks later the London stock market found itself in the same predicament at the fortnightly settlement. Angry appeals by the London bankers and the London Stock Exchange authorities finally brought an arrangement by which a " settlement price of 153 was permitted for the London bears. By July, Northern Pacific common stock was selling at 118 on the New York Exchange."

In 1910 a corner in the shares of Manekji Petit Mills was created. There was at this time no specific rule for dealing with the situation created which was very serious and disastrous. The late Sir Shapoorji B. Broacha, was then President of the Association. Under his able guidance this corner was brought to a successful end only by suspending the buying-in rule, though there were no such powers conferred on the Committee at the time. The board passed the following resolution on the 6th January 1910:—" Resolved that to-morrow that is 7th. and Friday the buying-in of the shares of only the Manekji Petit Mill Co., will not be held."

Appendix No. 1 contains copy of a letter published in the *Bombay Gazette* under the signature of the late Sir Shapurji B. Broacha (then Mr.) and Appendix No. 2. contains the report of the general meeting of the Association as published in the *Times of India* of 3rd February 1910. Both letter and the report reveal what the situation was at that time and how admirably it was handled. Notwithstanding this, the then President and the members of the Committee were subjected to captious criticism by the people most interested. In view of the facts stated above, the Government and the public will, the Association are of belief, be convinced that they cannot accept and adopt rule No. 144 printed on page 143 of the report and below quoted:

The Committee may suspend the buying-in of securities when circumstances appear to them to make such suspension desirable in the general interest. The liability of intermediaries shall continue during such suspension unless otherwise determined by the Committee. The right conferred by this rule shall not be exercised in the case of corners or over-bought or over-sold positions unless the Committee are satisfied that *prima facie* case of fraud has been established.

A resolution under this rule must be carried by a majority of three-fourths of the Committee present at a meeting specially summoned for the purpose and consisting of not less than twelve members.

The Association will amend this rule so as to be on the same lines with rule No. 146 of the London Stock Exchange or similar rules of other stock exchanges of repute as published on page 49.

The Committee report that.

It is well known that rising prices exercise a great attraction upon the mind of the ordinary man ignorant of the finesse of those who manipulate the market, which they first inflate and on which they ultimately unload. And the index figures appended to this report and the appendices attached to the written representation of the Association show clearly the violent fluctuations which in recent years have marked the shares of certain companies. We have no doubt that the sub-broker was largely instrumental in inducing the public to support these fictitious values; and brokers, whose agents these sub-brokers must have often been, and the Association which admitted them within the Exchange, must share with them responsibility.

In the opinion of the majority of the Atlay Committee, these fictitious values are a source of great loss to ordinary and ignorant investors. Manipulators first inflate the value of their shares in the market and when sufficiently inflated unload them. It is human nature to buy when the market is rising. It is the duty of the Association therefore to see that such fictitious prices are not allowed to prevail on the Exchange to the detriment of bonafide investors.

It is most extraordinary to note that such fictitious values and manipulations which the Atlay Committee condemn when promoted by sub-brokers, are not equally condemned as ruinous when promoted by big capitalists and creators of corners. More extraordinary is the dictum of the same committee that the Association must share with sub-brokers responsibility for supporting fictitious values, but not in the case of the rich and influential capitalists and manipulators of corners. Here is their dictum:—

"But there is urged, in addition to the justification on material grounds of the Committee's action, a justification based upon ethical considerations, and that is, that in permitting what are believed to be fictitious prices to be quoted on the Exchange, the Association is party to the circulation of a lie. We see no force in this contention. It is not for the Association to control the prices of the securities bought and sold in the market for which they provide facilities."

The Association of course need never control prices; but the facilities which the Exchange offer to operators must be immediately withdrawn, the moment it is discovered that such facilities are abused to the detriment of the public.

Moreover; the Atlay Committee do not support their dictum by any recognised authority. They arbitrarily declare so! To adopt the recommendation they make would be to demoralise and finally to destroy the market.

It is important that the following para from the Minority Report be borne in mind :—

It is not an uncommon thing to find that when the market is constantly being forced up small genuine investors are inclined to think without inside knowledge that the rise is genuine with the result that they enter into small transactions which feed to a large extent the speculation that has already been set on foot. But when the corner comes to an end either by its failure or by successful settlement at the instance of the Bull, the shares resume a normal value far below what the investor paid for it. Small investors of this kind are usually deceived by the conditions of the market and protection would be afforded to such small investors by the said Rule 26. The rule therefore is not against the interest of the investing public and it is a partial protection to them. This consideration is described in the Report as an ethical consideration under a misconception.

The Association will next quote the best authorities on this point.

The following is taken from an address delivered by Mr. Cromwell, President of New York Stock Exchange, at a banquet held by the Bankers Forum and published in Bankers Magazine of New York, January 1924.

"The Stock Exchange as an institution has nothing to do with the making of values any more than a clinical thermometer has to do with making the temperature of a man. The purpose of the Stock Exchange is to see to it that as far as possible the normal operation of economic laws shall have the opportunity to function and register without interference by artificial influence.

* * * *

The Stock Exchange has a special interest in maintaining a sound and honest currency, because it is a security market, whose listed stocks and bonds are being exchanged for money every day. I often feel that investors lose their money not so much because prices decline unduly, as because they are persuaded to pay unjustifiably high prices for securities."

Mr. Seymour L. Cromwell, President of the New York Stock Exchange, recently said in his speech :—

"The Stutz incident furnishes a good illustration of the importance of the power of the Governors to take summary action in either suspending trading or removing from the list, a security which is dominated by one interest. When, as in the Stutz case, the price is artificial the Stock Exchange quotations are giving wide currency to a lie. The continuation of the lie, which says in effect that the consensus of opinion of the investing public was that the Stutz stock was worth $400—$500 a share, when in fact it was actually worth according to the judgments registered in a free and open market, less than $100 a share, might have gone on indefinitely had the action of the Stock Exchange been hampered by official red tape."

Mr. J. Edward Meeker, Economist to New York Stock Exchange, says :—

"An experience of over a century and a quarter in maintaining the leading American securities market has taught the members and governors of the New York Stock Exchange the vital necessity of keeping that great market free and open. This phrase is constantly on the lips of Stock Exchange men as an *ideal to be invariably striven for*. By *a free market*, we mean a market which is *not dominated* by any man, or any group or class of men, a market which is *not hampered* by legislative interference or uneconomic Government regulations and red tape. By an *open market*, we mean one in which all men can buy or sell on an absolutely equal footing—a market which is not maintained for any chosen or limited few, but for every honest investor or speculator—and a market, furthermore, whose transactions are given the greatest and speediest possible publicity.

"It is particularly necessary when the free and open market for a security has been destroyed by the establishment of 'Corner' in it that, for the protection of the public trading in it should quickly be halted on the Exchange.

"It is the Stock Exchange's view of the matter that what was a slight and necessary economic readjustment becomes a deliberate and premeditated attempt at extortion by a few individuals, which is contrary to the just and equitable principles of trade. The Exchange accordingly acts to halt the offence by suspending dealings in the concerned security."

The conditions which commonly necessitate this drastic action, have been clearly stated by an eminent ex-President of New York Stock Exchange.

"Once it is clear that a corner has developed in any listed stock, the Governing Committee of the Exchange promptly prevents further trading in it on the Exchange by striking it from the list."

Mr. Samuel Untermyer, Counsel to the Lockwood Legislative Committee says :—

"The public is entitled to know whether they are buying in a free market or in one that is being operated by a pool or syndicate."

Mr. Henry R. Scott, a well known share broker in Madras, having experience of 23 years (1895 to 1918) says :

"I presume that the Courts will accept the "making-up" price as sufficient guide to the market value on due date as a basis on which all legal claims for damages can rest!

"Buying-in" or selling-out" by the Secretary of the Exchange in open market can only be a farce if there are no genuine sellers or unless the Secretary has actual funds in hand from possible buyers.'

On the subject of corner, the majority of the committee quote "so great an experience and authority as of Sir Dinshaw E. Watcha" in following words :

"In the words of one of so great an experience and authority as Sir Dinshaw Wacha, a corner in Bombay has come to be regarded as a very effective way by which bulls and bears alike settle improvident transactions of a highly reprehensible character".

It is a pity that the Committee quote a sentence detached from the whole context which it is worth quoting for the bonafide public and Government alike.

Sir Dinshaw E. Wacha observed that :

"Cornering of the character just described has already entailed colossal losses on those who blindly and heedlessly rushed into it. If not put a check to by the strong voice of disinterested and enlightened public opinion, it is much to be feared, it is sure some day to bring Bombay once more not only into disrepute but grief of an untold character. This cornering, I am credibly informed, is confined to a small coterie of capitalists. In its nature it is infectious to a dangerous degree as it eventually infects a host of other operators, with modest margin of savings who daily flock the share bazaar. The chief evils of this practice, are two :—(1) Fictitious transactions of a large number of shares of concern, that is to say, transactions of a number over and above the legal number of the shares of a company. *That in itself is a fraud on the public.* Secondly, the broadcasting of such reprehensible transactions drags *bona fide* investors into a quandary entailing heavy losses. From both points of view cornering of this character is most inimical to public interests. But if corners are to be tolerated at all, there should be an effectual check and control and restrictions and limitations so that *bona fide* investing public may be fully protected."

This is nothing but the truth. In the words of Sir Dinshaw E. Wacha, the corner is a fraud on the public. Will the Government and bonafide public deny it ?

The following evidence clearly proves that in the opinion of Sir Wilfrid Atlay it is a fraud and conspiracy for a syndicate to sell 10,000 shares of a company when legitimately it has only 6000 shares in existence. Is it not then equally a fraud and conspiracy to buy 10000 shares when in reality there are no more than 4000 shares? Certainly it is so as declared by Sir Dinshaw E. Wacha and such was also the opinion of Sir Wilfrid Atlay.

Capt. E. V. Sassoon :—On page 7, paragraph 26, will you please define the word "Extraordinary"?

Mr. Shroff :—Suppose there are 4,000 shares and applications are made for buying-in 6,000 shares, it is evident that 6,000 shares could not be bought at the auction. That is extraordinary and we have to suspend buying-in.

The Chairman :—If a syndicate offers 10,000 shares while there are only 6,000 shares would you not call it a fraud?

Mr. Shroff :—No, I would call it a malpractice.

The Chairman :—It is a conspiracy.

Mr. Shroff :—Yes. It is contrary to the equitable principles of trade.

"Commercial and financial frauds," says Mr. H. J. Kenner, President of the Better Business Bureau of New York City, "are more serious offences against the public and the social order in general than burglary, highway robbery or automobile thefts, because they undermine public confidence in the whole financial structure, due to the fact that the individual investor cannot distinguish between the honest man and the trickster."

By means of ingenious manipulation people may be induced to buy securities at prices a great deal higher than they are really worth. It is the policy and practice of the New York Stock Exchange (and it is the only best policy and practice) to obviate the evil consequences of fictitious prices by removal of such securities from the list of dealing. The following rules of the New York Stock Exchange will fully indicate the nature of the policy referred to :—

(Dealings Suspended)

"Article 33. Sec. 4. The Governing Committee may suspend dealings in the securities of any corporation previously admitted to quotation upon the Exchange, or it may summarily remove any securities from the list."

(Removals from list).

"Whenever it shall appear to the Committee on Stock List that the outstanding amount of any security listed upon the Stock Exchange has become so reduced as to make inadvisable further dealings therein upon the Exchange, the said Committee may direct that such security shall be taken from the list and further dealings therein prohibited."

This subject is fully illustrated and explained by the Association in their representation as printed on page 51 of the report and further explained by the President at the time of his oral evidence quoted below :—

Mr. Bhulabhai J. Desai :—In what manner are the interests of the public served by this corner rule?

Mr. Shroff :—It is intended to safeguard the public from being fleeced by the syndicate by means of inflation of rates.

Q.—Do I understand you to say that the investing public who do not know the actual intrinsic value of the shares are encouraged to buy at a high price by this false growth, and you prevent them from buying any more at a false price? A.—Yes.

Q.—In other words, irrespective of the two gambling parties a large number of private investors are misled by the rising rates? A.—Yes.

Q.—May I understand you to say that if you allow the rates to continually rise, you would be thereby assisting in circulating what Mr. Cromwell calls a lie? A.—Yes.

Q.—By which many unwary people may be caught? A.—Yes.

Q.—In your experience, in fact, many unwary investors have been so caught during the last two or three years?

A.—I have not had experience to say that.

Q.—So that, in your view, it is not right to say that the abolition of the rule as to corners would be in favour of the investing public?

A.—No, there must be some power at least............

Q.—In your view, the abolition of the rule as to corners would not be in the interest of the investing public? A.—Yes.

Q.—Suppose I do not operate in the market at all, but merely hold 1,000 shares out of 1,200 shares in a certain scrip. Would you call that a corner?

A.—Opinions may differ on that, but I won't call it a corner myself.

Q.—What you would call "corner" is the use of that position in those shares to dominate the market? A.—Yes.

Q.—So long as the man possesses such shares, and only buys and sells in the ordinary course without attempting to produce an abnormal state of affairs in the market, you have no objection?

A.—I have no objection.

Q.—The rule as to corner aims at meeting an improper use of such strength?

A.—Yes.

Q.—If on account of a struggle between bears and bulls, there is a corner in a scrip, and the increase in price goes on unchecked, would not a large number of investors be influenced by the fact that the market is going up? A.—Yes.

Q.—And they will be induced to buy in an unnaturally rising market? A.—Yes.

Q.—And, but for the intervention of the Exchange Board, will suffer in a ruinous manner? A.—Yes.

Q.—So that the rule as to corner only reduces the high profits of the bull, and the same time protects the genuine investor? A.—Yes.

Q.—Is there any truth in the pretence that the abolition of the rule as to corner will protect the investing public?

A.—No: I do not think so.

Q.—With reference to what Sir Fazulbhoy asked you, of course it happens that the intervention of the Board in the matter of corner is not based merely on a certain percentage of rise in the value of the particular share.

A.—It is never based on any particular percentage of rise.

Q.—In fact, it would not be possible to fix such percentage?

A.—It is impossible.

Q.—The difficulty will be to find out in what standard such a percentage should be based?

A.—Yes.

Q.—Supposing in the beginning of January, for instance, a share was quoted at a thousand rupees in an absolutely free market, you cannot rule that if the share has gone up by 25 or 50 per cent. at the end of the month there is a corner.

A.—That is quite impracticable.

Q.—Is it practicable to take the intrinsic value of the share, and fix a percentage above that at which a corner will be declared? A.—No.

Q.—Then the only basis is the condition of the market, the way in which it is dominated, and it must be left to the discretion of men who are conversant with business to find out whether the market is so dominated that it is not in the public interest to let it go any further? A.—Yes.

Q.—And if you have to find men conversant with business, in a certain sense, they are bound to be more or less interested? A.—Yes.

Q.—In every trade in which matters should be left to the discretion of men connected with the business concerned, it is impossible to find totally disinterested persons? A.—Yes.

It will be quite evident from what has been said above that the Association must have power to suspend in future dealings of the character referred. Such suspension can in no way interefere with or affect transactions antecedent thereto. Rather credulous and ignorant people are thereby saved and further mischief averted.

Thus, the advisability and necessity for the Association to possess powers of suspending future dealings and buying-in will be at once recognised.

The rule as suggested in para 28 of the Minority Report has apparently for its object the conferring upon the Association the power to suspend future dealings and buying-in. They are agreeable to repealing rules 26, 26 (k) and 26 (kh) as suggested by the Majority in their recommendation No. 18 and substituting the rule suggested in the Minority Report.

This question of corner is so full of complexity that it is not easy to find a satisfactory solution, short of abolishing the Stock Exchange. Sir Wilfrid Atlay was so greatly puzzled that he had to give up discussing the question when the President gave his oral evidence. Sir Purshottamdas in his turn attempted to grapple with it but with no better result as can be learned from the following evidence, which also points out how even the abolition of rules 26, 26k and 26kh *without any substitution* makes it absolutely necessary to have a rule similar to sub clause (d) in paragraph 28 of the Minority Report. The Association particularly beg to draw the attention of Government to the words printed *in italics* in the evidence below quoted :

Sir Purshotamdas Thakurdas :—Please refer to page 9 of your supplementary representation. I am just trying to see if I can help to make clearer either to you or to the Committee, especially the Chairman, at the point where I thought *it was not getting clear.* You said, as I understood it, in the course of your examination by the Chairman that the bull would refuse to take delivery unless you fixed a price. Is not that so ?

Mr. Shroff :—Yes.

Q.—The Chairman then said that in that case the corner would be broken, that the share values would fall and the bear could go in and buy shares. *At this stage the Chairman gave it up.* What you mean, I imagine, is that when negotiations to fix a rate are going on, the bull threatens and says " If you do not fix such and such a price, I am not going to take delivery ". Therefore, you said that in that case there would be a crash. But, as a matter of fact, if your Directors took up a strong stand and said to the bull, "No, you must take delivery and pay for whatever is tendered to you ; otherwise you will be defaulters," then that threat would not stand.

A.—Who would be the defaulters ! Not the clients. (We have no power or authority to declare them defaulters.)

Q.—When negotiations are going on you said that the bull says " Fix a price and then I will begin to pay for the shares tendered to me." Is that not so ?

A.—When we intervene and fix prices, they try to get a higher price from us. If higher price is not fixed, they say they won't take delivery. This is a threat.

Q.—In the course of the negotiations or haggling that goes on between the two parties, the bull openly says " Unless such and such a price is fixed, I will not take delivery of the tender." Is that so ?

A.—Yes.

Q.—At that stage you feel that unless you come to some sort of reasonable compromise acceptable to the bull, it is possible he may refuse to take delivery and upset the whole of the market. But has it ever come to it that the Board has said "We will fix the price after we know what is the short interest; in the meantime you must pay for the scrip that is tendered"?

A.—We never argue with the bulls in that case. We cannot show our weakness. We say "We will fix the price we consider reasonable ; whether you take delivery or not, we will do what we think best". We remain firm there. We tell them "This is our price ; you cannot dictate your terms ; if you threaten us, we are not going to care for it ; you do what you like, do not take delivery, and the consequences will be that your brokers will become defaulters or will have to pay for it."

Q.—At what stage did you mean to say, earlier in the course of your examination this morning, that the bull would not take delivery.

A—*If we did not fix any making-up price at all, then there will be confusion.* Then the bulls will be more free not to take delivery. If we let things go on without settling anything, then the bulls will get an opportunity of saying "As you do not make any settlement, we won't fulfil our contracts at all."

The Chairman:—You said if you did not fix the making-up price the bulls would complain, and they would not agree to take delivery, because no price has been fixed.

A.—The making-up price is not the final price at which we close bargains. We will have to fix some price for settlement. They ask us whether we have fixed any price at all for settlement.

The Chairman:—*You can fix the making-up price.*

Mr. Shroff:—We do ; it is the closing price ruling on the day on which payment is made.

Q.—The bull has to pay the price.

A.—Suppose they do not pay.

Q.—You are not afraid of the threats.

A.—But we must fix the price at which the bears have to settle.

Q.—*There is no objection to fix the ordinary making-up price.*

A.—The short-seller will have to pay at the making-up price.

Q.—You said that the bull would not pay, because no price has been fixed.

A.—I said "unless the settlement price in fixed at which short-sellers have to settle also the differences".

Q.—*Everybody has got to settle at the making-up price.*

A.—*Yes, it is so. You say we should not interfere to fix a price.*

Q.—The making-up price is merely the price at which the account is settled. It appears in the books for the convenience of the settlement account. But you fix a price above which nobody can deal.

A.—That is quite different from making-up price. That is the price we fix for the new transactions. It is not the making-up price. This is done in order to prevent the market going beyond a certain rate. It has nothing to do with the outstanding transactions.

Q.—*There would be a price according to which the bull would have to pay.*

A.—*Yes. On payment day, unless making-up price is fixed, no settlement can be made.*

Q.—What is objected to is the fixing of a maximum price, beyond which nobody can deal.

A.—In such a case, if the Enquiry Committee comes to the conclusion that when there is a corner, there should be no further dealings whatsoever and then we fix the making-up price on the payment day. If that is agreed to, I have not the least objection to it.

Q.—You fix a making-up price and stop all further dealings.

A.—When we see that the market is dominated, we pass at present a resolution that no new business should be done over such and such a rate. On the payment day we fix the making-up price also, which may be the same or different. So, if you agree, there would be no objection to not fixing the maximum price on the day on which a corner is declared. We can stop all further business, that is, suspend dealings from that day. Settlements must be made on the payment day, and on that day we will fix the making-up price and all settlements must be made at that price. As regards the price, supposing during the course of two or three months, it had never gone beyond Rs. 1,000 we cannot fix it at less than Rs. 1,000. I can say that our present rule is defective in this that it allows the bears to continue sales after the price is fixed. That is one of the defects of the rule, and it ought to be modified. The bear should not be encouraged to sell more shares after it is known that there is a corner; they know that thereby they run no risk.

Sir Fazulbhoy Currimbhoy:—Suppose the price of a certain scrip commenced at Rs. 1,000, and then it went up to Rs. 1,400; the Committee thinks there is wide speculation and stops further dealings in that scrip; what would be the price which the Committee would fix on the last day for settlements? Would it be Rs. 1,400?

A.—Yes, that is the rule. We are unable to fix it lower, considering the law of the land.

The Chairman :—Fixing the making-up price would merely settle things for that account. It would not still settle the corner question; the bull would want his shares still.

A.—*We must suspend the buying-in rule at that time.*

Sir Purshottamdas Thakurdas :—Do I now understand that you still object to rule 26 being deleted?

A.—Cannot entirely. We must have some powers there. I am in favour of modifying or amending the rule.

Q.—In which direction?

A—The bears should not be allowed to sell more shares after the corner has been declared. That should be one of the modifications.

Q.—You would still fix a maximum price?

A—*The price, in any case, has to be fixed on the payment day; without the fixing of a making-up price there can be no settlement.*

Q.—Another reason perhaps is that bear sales should also be discouraged. The more limited a commodity, the more stringent is the market.

A.—*Just as it is difficult to prevent a corner, so also it is difficult to reduce bear or fictitious sales.* That is the trouble.

The rule No. 128 publiished on page 142 of the report recommended to the Association for adoption by the Majority enables the Managing Committee of the Association to fix a temporary making-up price for all unsettled bargains *i.e.* for shares not delivered.

This rule in substance and principle is the same as the sub clause (d) of para 28 of Minority Report.

Appendix 3 gives a short history of a sensational corner in Piggly Wiggly stock on the New York Stock Exchange—March 1923. From its history it appears that early in the year 1923 this stock was very erratic on the Exchange because of the selling by professional traders. This selling was believed to have resulted in the building up of a large *short* interest in the stock which was listed on the New York and Chicago stock exchanges. Taking advantage of this, Mr. Clarence Saunders of Memphis, a stranger to speculation, bought every share that was offered and cornered the market. It was alleged, as is always argued on Bombay market, that he was obliged to buy to rescue the market and to protect the shareholders. Though his total purchase was not over and above but even less than the existing number of shares by 1128, the authorities of the Exchange declared a corner in the stock, simply because there was no stock available in the market for delivery. Besides, on the strength of his position in the market, he absolutely dominated it and demanded delivery of all shares bought. The. result was the stock rose to $ 124 from $ 72 in a day in the frantic efforts of bears to carry out their contracts. To allow further trading in the shares under the circumstances whould have meant further ruin to many innocent people, who behave like a flock of sheep, with no strength of mind to form sound judgment. The only course open to the Board of Governors of the Stock Exchange was to suspend dealings, which they at once did, nay, to altogether omit the security from the trading list. Otherwise its price might have been forced up to touch the ceiling only to fall back to the floor. Though they have no specific rule to suspend buying-in as all dealings there are for cash within twenty four hours, they suspended all the same by a *special rule* even the buying-in for a period of five days. Mr. Saunders agreed to accept the stock during this period but with reservations.

The Exchange asserted that its actions were in strict accordance with its constitution and rules and resulted in preventing widespread loss and injury not only to those who were directly involved in corner but the ignorant public, generally ; because in the words of the Majority of the Committee " rising prices exercise a great attraction upon the mind of the ordinary man ignorant of the finesse of those who manipulate the market, which they first inflate and on which they ultimately unload".

The operator of the corner, Mr. Saunders, at first threatened to sue the Exchange and its members for conspiracy and welching, in the same way as the operators of corners of a like character on the Bombay market. When defeated in their vicious object, these cornerers never fail to level allegations and trumpery charges against the Exchange and its Committee, though none of them had courage enough to go to the court. Mr. Saunders had to confess that the *Exchange was right.* That he himself was the author of his own ruin will be quite apparent from what is related in Appendix 3.

Why then the Association here should not adopt the same policy, practice and method that are adopted by other exchanges, as illustrated above and in details in appendix 3. This policy and practice alone have saved the bonafide public from catastrophic losses and the city from a big financial crisis.

It is superfluous to remark at this stage that the Association attach no importance whatever to the threatened prohibition of forward dealings.

What Sir Wilfrid Atlay remarked at the time Mr. M. A. Haveliwalla gave his oral evidence is quoted below, and will be read with great interest :—

"..What you have got to remember is that in America all shares are bearer and they always stand in denominations of 100 dollars. They are therefore easy to handle for cash. *No Stock Exchange will handle registered stock as we have in England for cash transaction.* Do you know any business that is carried on without speculation? If you really put all your proposals into concrete form, what you want is to make people moral by an Act of Parliament."

It is important that this observation be firmly borne in mind. It is the opinion of Sir Wilfrid Atlay that transaction on a purely cash basis is an impossibility. Few forward dealings take place on Calcutta Stock Exchange and it very often takes fortnight or more to settle cash transactions. The following is the evidence on this point of Mr. H. B. Turle, representative of Calcutta Stock Exchange:

EXTRACTS FROM MR. TURLE'S EVIDENCE.

Sir Wilfrid Atlay :—Another of your rules says " Contracts entered into for cash transactions shall be completed on the second day after the date of contract and at or before 4 p. m. on that day ". It seems to me that you allow very little time. In London we have to allow 5 days as the minimum limit. How do you manage it?

Mr. Turle :—We have had a great deal of difficulty in interpreting that rule. There was at one time a proposal to increase the interval between the transaction and delivery days, and to make a *pucca* date which must be kept, but it was found to be impracticable. Deliveries frequently come late, and the machinery we have is that if the buying broker is unable to get delivery from the selling broker within 12 or 13 days, he then applies to the Committee at one of their weekly meetings, and tells them that he has not got delivery of the shares he has purchased. We then generally pass orders that the buying broker may buy against the selling broker on the following Tuesday.

Q.—So, in practice, you allow 16 days?

A.—Yes; and if the buying broker's client does not object it drags on.

Q.—You cannot do it in two days?

A.—No, except in the case of local sales it is impossible.

Forward business on the Bombay Stock Exchange is nothing else but granting a credit for a certain fixed period, say at the most a month. There will be a similar credit for all business on cash basis. The only difference is in the length of time for the credit, whether it may be a week, fortnight or a month. Speculation will not die with cash business and that is the opinion of the Enquiry Committee also. There will be no material gain in prohibiting forward dealings by legislation. But disadvantage will be far greater. Something of the nature suggested by the Committee was urged in England. As a consequence the British Government passed a Bill, known as Sir John Barnard's Act. What was the result? The law had to be eventually repealed, since it was generally recognised as a failure which the British Government had to fully admit. It did not prevent short selling. It accomplished no useful purpose and it merely served to enable unscrupulous speculators to "welch" on their contracts. In the Minority Report it is observed :—

> I wish to add here that the Majority of the Committee have failed to profit by the lessons to be derived from the failure of the legislative act known as Sir John Barnard's Act in England and its ultimate repeal.

In face of this experiment, the Majority of the Enquiry Committee recommend Government here to repeat the said mistake and to regulate speculation in securities by law. This is because they have failed to observe that "it is not wrong to agree to sell something that one does not possess" and therefore cannot deliver. Some of the members of the Atlay Committee consider the short-selling as gambling and illegitimate, as appears from their questions put to several witnesses.

It is a fact and a matter of common knowledge that those who criticise short-selling as immoral and gambling evince their ignorance of the laws of economics and of the science of the Stock Exchange. In the words of Mr. Otto Kahn, one of the greatest bankers and a leading authority on Stock Exchange, "short sellers are born, not made. Yet if there were not people born who sell short, they would almost have to be invented. Short selling has a legitimate place in the scheme of things economic. The practice of short selling has been sanctioned by economists from the first Napoleon's Minister of France."

The findings of the Hughes Commission on short selling quoted on page 39 herein are of great importance. They report that "We do not think that it is wrong to agree to sell something that one does not possess, but expects to obtain later."

It is also worth noting the following opinion of well known Economist, Mr. J.E. Meeker, M. A. on short sales :

LEGISLATION AGAINST THE SHORT SALE.

"The popular misunderstanding and prejudice against short selling of securities is not new. As long as the stock exchanges of the world have existed the short sale has been bitterly condemned, but invariably endorsed, after thorough investigation or painful experience, as a vital and indispensable factor in the maintenance of free securities markets everywhere. As a necessary operation to organized speculative markets it has, therefore, stood that hardest of all tests—the test of time. Short selling was forbidden in England by Sir John Barnard's Act in 1733 ; yet this law failed to halt the practice, and in 1860 it was repealed. Similar English legislation later adopted to prevent short selling of bank stocks has also been more honored in the breach than in the observance."

In spite of the Leeman's Act the London Stock Exchange allows short selling in Bank shares. Why?

Sir Walter S. Schwabe, Chief Justice of Madras, says : "It has become the practice or custom on the Stock Exchange to disregard Leeman's Act simply because it undoubtedly hampers free dealings in Bank shares. Bargains which for non-compliance therewith are void, are nevertheless enforced by the Committee."

The Minority Report in conclusion points out the undesirability of legislation. The report reads:

I also wish to say that as a matter of principle interference by the State in trade like the share and stock brokers is undesirable if not improper. That opinion has been emphatically expressed before the Committee by Sir D. E. Watcha, a gentleman of great civic reputation, having intimate knowledge of the economic condition of India and of Bombay in particular.

Sir Dinshaw Wacha observed in his written statement :

As to remedying the principal evils indicated above, which are so rampant, all I can say is this. That in the first place it will be *a great mistake to have any legislation on the matter.* I am one of those who have been strongly of conviction for years past that it is *not in the public interest for the State to interfere in matters of trade. And I am strongly of opinion that no State legislation is at all necessary.* Legislation will in my opinion worsen than improve matters. If legislation is imperative at all, it is in reference to the *extensive gamble not only in shares,* but, in cotton, silver, gold, wheat and seeds which are also rife.

In the words of Mr. J. E. Meeker, Economist to the New York Stock Exchange:

"As recently as 1896 the German Government attempted to do away with speculation in securities and commodities. Yet in spite of the characteristic Teutonic thoroughness, in spite of the despotic powers of the Prussian State, this attempt not only failed of adequate enforcement to such an extent that its regulations came to border on farce and absurdity, but it directly resulted in crippling the Berlin financial markets so thoroughly that when the law was repealed in 1909, their power had permanently passed to London and Paris. What this blunder meant to the economic staying power of Germany during the war, future economists will doubtless relate."

Professor Emery tells us in the following passage not merely how the German law failed, but why:—

"Fluctuations in prices have been increased rather than diminished. The corrective influence of the bear side of the market having been restricted, the tendency to an inflated bull movement was increased in times of prosperity. This in turn made the danger of radical collapse all the greater in proportion as the bull movement was abnormal. The greater funds needed to carry stocks on a cash basis further increased the danger when collapse was threatened. The result was an increased incentive to reckless speculation and manipulation. Says the report of 1907, "The dangers of speculating have been increased, the power of the market to resist the sided movements has been weakened and the possibilities of misusing inside information have been enlarged."

"The money market has been increasingly demoralised through the greater fluctuations in demand for funds to carry speculative cash accounts. The New York method is held in abhorrence by German financiers, who attribute to it, in large part, the wild fluctuations in New York call rates the frequent 'money panics' and the tendency to reckless 'jobbery'. In proportion as the new Berlin methods approached the cash delivery system of New York, these evils have appeared there.

* * *

"The advantages of a broad open market were lost. The object of the act had been to lessen the speculative influence over industrial undertakings. Its effect was to increase it.

"Finally, the effect of interference, increased cost, and legal uncertainty was to drive business to foreign exchanges and diminish the power of the Berlin Exchange in the field of international finance. The number of agencies of foreign houses increased four or five fold and much German capital flowed into other centres, especially in London, for investment or speculation. This in turn weakened the power of the Berlin money market, so that even the Reichsbank has at times felt its serious effects."

In America there are no forward dealings, there are no settlement transactions and still there prevails heavy speculation and huge gambling. If forward dealings are prohibited there is nothing to prevent the public from speculating on a cash basis as they do in America.

The Majority of the Committee have made side remarks on the following two points in the body of the report which are likely to mislead the public. In order that its independent and disinterested section may not be led away the Association deems it essential to give an explanation here.

A pamphlet on corner written by the present President of the Asssociation, Mr. K. R. P. Shroff, is published as one of the appendices to the report. At the request of the Atlay Committee, Mr. Shroff furnished the Committee with a copy of his other pamphlet "Can speculation be checked." In the opinion of the Association the last named brochure ought to have been appended also. The Committee have in their report remarked as follows:—

"Such a policy and practice, we think, stands self condemned, and it is condemned in his pamphlet by the now President of the Association."

These remarks wrong as they are, are likely to mislead the public. If the Committee meant by these remarks to convey to the public an impression that the President had expressed in the pamphlet his opinion that the Association should have no power whatever of the kind referred to in Rule 26 in connection with corners then the Committee have misinterpreted what is stated there. Neither in that pamphlet nor any where else, Mr. Shroff has declared that the Association should not at all interfere to fix a price. On the contrary, he clearly expressed his opinion that even in absence of any rule or enactment, the Committee of the Association should determine the reasonable rate at which short sellers could pay damages. This statement wholly disproves the opinion so ingeniously made in the Report. What Mr. Shroff really objected to was the policy (refer. page 47 of report) suggested by some members of fixing a settlement rate lower than the highest rate that may have been touched during the course of the settlement so that fear of loss that would result thereby would deter the bull from attempting a corner.

Further, Mr. Shroff has mentioned that "Though cornering is no crime it is advantageous to none and should not therefore be encouraged. No party, secretly buying shares solely with the object of cornering or trying to succeed in its aim by manipulation should on any account be allowed to achieve its aim".

In the same pamphlet again he has said :—(Refer page 103 of the report, para first).

> " If a seller is unable to give delivery of the shares sold by him, law directs that he should pay damages at a fair rate or if the share is available in the market at a reasonable rate he should buy and deliver it. But if the purchaser insists on the delivery of the share and if the same is either not available in the market or the buyer refuses to resell at a reasonable rate the seller is not bound by law to give delivery. The vendor having broken his contract, the vendee is only entitled to damagesand that too at a reasonable market rate, and not at the rate to be dictated by him; and at such a juncture it is the Board of Directors or the Arbitrators appointed for the purpose who should without the help of any rule or enactment determine what the reasonable rate should be or what damages the seller should pay to the buyer. If they act fairly and impartially their decision would be upheld in a Court of Law. But if they fix a rate which is not the *bona fide* market rate, their decision would be unjust and would not be upheld by any Court. Thus a rule or enactment providing for the payment of reasonable damages would not be productive of any harm to any one. But if a rule were to authorize the Directors or the Arbitrators to direct that damages should not be paid or be paid at a rate they liked, or at a rate much lower than the market current rate, it would be unjust and illegal and the decision given thereunder in favour of one and to the detriment of the other would not be accepted by a Court.

The following extract from Mr. Shroff's evidence clearly shows what policy he favoured and what his views were as expressed in his pamphlet. Apart from this it may be worth mentioning in this place that Mr. Shroff when he was only a member of the Committee voted in favour of fixing rates when corners were declared in Fazal, Finlay, David and Currim shares and at all times he was in favour of such a policy. More, he himself was the mover of a resolution to that effect in some cases. What do the facts just stated show? This only that Mr. Shroff was not at any time against the exercise of the powers by the Committee to fix a reasonable market rate.

Capt. E. V. Sassoon: —A most interesting document has been put into our hands, a brochure published by you. When was it written ? (Copy was shown to the witness.)

Mr. Shroff:—After the Finlay corner. About 1920

Q.—Have you since then changed your views ?

A.—I still stick to the views I have expressed there.

Q.—In this brochure you say.......I take it that the present rule will tend to increase the number of corners ?

A.—I do not think so.

Q.—I cannot somehow reconcile that statement of yours with this resolution ?

A.—You must further read on and see to what conclusion I have arrived at.

Q.—I have been reading it very carefully ?

A.—You cannot select a particular passage and criticise it. It may be that the present rule is not properly worded. (It may be vague).

Q.—You suggest that these powers should be very rarely used ?

A.—Still it is my (personal) opinion.

Q.—You think that this power has been used rightly ?

A.—Yes.

Q.—You think what is contained in the brochure is being followed by your Association ?

A.—Some alterations might be necessary.

Sir Fazulbhoy:—Can you suggest any means by which the penalties either on the bull or the bear can be fixed without any room for dissatisfaction or discrepancy ?

Mr. Shroff :—We cannot lay down any hard and fast rule.

Q.—Looking into your pamphlet I find that you have expressed an opinion against clause 26 ?

A.—Not altogether. I say that, even without the rule, there must exist some power by which the damages can be fixed.

Q.—This rule was not in existence before 1910. There was then less trouble and there were very few corners. ?

A.—The gambling spirit was not so high then as it is now.

Q.—If the clause is removed ?

A.—Conditions will be worse.

Q.—Supposing you want a charter, will you be willing to delete this clause about corner ?

A.—If the Association is not willing to do it without a charter, with the charter they would insist on it.

Q.—Don't you think you will get a monopoly in return ?

A—Monopoly is no question. Risks are involved. We do not want the monopoly but safety.

Q.—There are corners in other countries, but they have not got this clause ?

A.—I do not insist upon having the rule as it is. I agree the rule ought to be improved if I could find a better device. We have said so often publicly "Let us have better suggestions, and we will consider them."

Sir Purshottamdas Thakurdas :—Do I now understand that you still object to rule 26 being deleted ?

A.—We must have some powers there. I am in favour of modifying or amending the rule.

Q.—In which direction ?

A.—The bears should not be allowed to sell more shares after the corner has been declared. That should be one of the modifications.

Q.—You would still fix a maximum price ?

A.—The price, in any case, has to be fixed on the payment day ; without the fixing of a price there can be no settlement.

Q.—Do I understand that your Exchange and personally you yourself still think that it would be a great mistake to take out this corner rule ?

A.—Entirely ?

The following is an extract from the oral evidence of the ex-President of the Association Mr. Kikabhai Premchand Roychand :—

Sir Wilfrid Atlay :—You resigned on a question of policy ?

Mr. Kikabhai Premchand :—Yes.

Q.—Would you like to tell us what the policy was that you suggested ?

A.—That will take me to the past, and I suppose you do not want to open the past.

Q.—It would be very interesting to hear your reasons. Would you like to have it *in camera ?*

A.—I have nothing to keep back. Unless the Committee wants to hear what I have to say *in camera,* I have no objection. (Witness was then examined *in camera.*)

It is a riddle to the Association why the Chairman, Sir Wilfrid Atlay, suggested him to explain this policy *in camera.*

Since Mr. Kikabhai had nothing to keep back,it is curious why he did not tell him that he would prefer to explain his policy in the open. Had he chosen to do so, the Association and the public would have known what his policy was and judged for themselves whether it was at all calculated to protect public interests.

The Majority have remarked that "In 1922 he (Mr. Kikabhai) resigned rather than be associated with a policy of which he disapproved". These remarks might have been deemed relevant had the Majority to tell to Government and the public frankly what that wonderful policy was. In its absence the observation seems not only to be gratuitous but misleading. The public are led to infer that it was such a statesmanlike policy the ex-President had wished to be adopted but which the Board unwisely did not adopt ! All the same Association regret to lose his valuable services.

The Majority of the Committee express their regret by stating that "in their written representation the Association should have made statements reflecting upon certain members of the Committee, statements which have been proved incorrect and which have been withdrawn".

In appendix 16 of their report, is published a letter from the Association which the Majority have headed as "Letter from the Association withdrawing incorrect statements reflecting on Messrs. Merwanji and Sons".

There is a curious little history about it which the Association would relate for the information of Government and those interested. The whole portion expunged it will be noticed in no way reflects on Messrs. Merwanji & Sons as the Committee absurdly allege. Here is the actual reason of the withdrawal:

At the time of the oral evidence of the President, Mr. Pherozeshah M. Dalal, a member of the Atlay Committee and a partner in the firm of Messrs. Merwanji and Sons, remarked that this statement reflected on his firm and he argued that it implied that his firm were trying to make a corner for Mr. Pherozeshah Petit. The President assured the Committee that the statement cast no reflection on any one. The only object of the Association in making this statement was, as explained by the President at that time, to impress on the Committee the fact that were brokers and financiers to refrain from helping operators of corners by way of obtaining loans on the security of shares, corners would be negligible or die a natural death. Mr. Dalal was not satisfied with the explanation. He particularly objected to the statement that *shares were financed without a margin.* He never was able to contradict that his firm sold shares for the following settlement on behalf of Mr. Petit, as will be quite clear from the evidence quoted below. It is also evident from this evidence that it was admitted that Messrs. Merwanji and Sons did secure a loan of Rupees Five lacs for Mr. Petit, but it was *with* a margin and not *without* a margin. In reality then if there was any inaccuracy it was only with regard to the point touching *margin* referred in the statement.

The Chairman :—Surely, Mr. Shroff, you say : "Particulars as to how this game was played to finance the shares without a margin can be obtained from Mr. Pherozeshah Merwanji Dalal who is a member in the firm of Messrs. Merwanji and Sons." If it means anything it means that the shares were financed without a margin. Mr. Dalal has just told you that that statement has no foundation.

Mr. Shroff :—Mr. Dalal has not made any statement that he did not make any sales for Mr. Pherozeshah Petit. If he has made sales for the next settlement for Mr. Petit our statement holds good. What we contend is that on the strength of such contracts Mr. Petit was able to make a *budla* through the banks. Mr. Pherozeshah Petit might have told the banks : "Here is a contract made through such and such a broker, and therefore you would not run any risk to advance such a loan."

Mr. Shroff (to Mr. Dalal) :—Unless you say you made no sales for the next settlement, we maintain that it was the object of Mr. Pherozeshah Petit to make use of Messrs. Merwanji and Sons to get loans from the banks on the strength of their respectability.

Mr. Dalal :—But we did not help them to get loans without providing for margin.

A.—What I want to convey is that if all the brokers take it into their heads not to encourage the practice of corner, corners would be at an end.

Q.— If you produce such contracts between banks and brokers which show that the banks financed them without margin, then you can make a statement like that. I have shown you the contract which lays down that Mr. Petit was to pay the margin. Will you withdraw the statement now ?

A.—This was not the total amount of loan. You cannot say only five lakhs of loan was raised. There might be other loans raised without margin.

Mr. Pherozeshah M. Dalal :—Mr. Shroff, you will have to produce documentary evidence for your statement.

A.—We cannot produce documentary evidence for all the statements we make.

Q.—Then you must withdraw the statement.

A.—We have only said that the shares were sold through you. It is for the Association to infer what the object of the seller was in employing you. You cannot say that it was not his object. The Chairman will decide between us.

The Chairman :—I do not think you can make a statement : "Particulars as to how this game was played to finance the shares without a margin can be obtained from Mr. Pherozeshah Merwanji Dalal who is a member in the firm of Messrs. Merwanji and Sons."

It will be seen from the evidence quoted that Mr. Dalal objected to the last sentence only of the para, *viz.* :

"Particulars as to how this game was played to finance the shares without a margin can be obtained from Mr. Pherozeshah Merwanji Dalal who is a member in the firm of Messrs. Merwanji and Sons."

It is possible that Messrs. Merwanji & Sons might not have secured any loan *without a margin*, but it does not follow at all that Mr. Petit did not succeed in securing *any* loan without a margin. It is also likely that Mr. Dalal had no knowledge of such a loan being obtained without a margin and therefore he may not be in a position to give particulars. It was for these reasons the President agreed to omit this sentence after taking the Association's consent. But it is ridiculous to tell the ignorant public that therefore all other parts of the statement were incorrect.

On this the Association sent the following letter to the Committee :—

Mr. Pherozeshah M. Dalal requested Mr. Shroff to hand over to the Secretary of the Committee a letter from the Native Share and Stock Brokers' Association, and at the request of Mr. Dalal, the letter was read out by the Secretary :—

7th December 1923.

G. DAVIS, ESQR., I.C.S.,
Secretary,
STOCK EXCHANGE ENQUIRY COMMITTEE,
Secretariat, BOMBAY.

Sir,

I beg to inform you that the Association after careful consideration see no reason why the sentence in its representation relating to Messrs. Merwanji & Sons should be expunged.

The Association maintains that though Messrs. Merwanji & Sons were not a party to the corner, they helped the operator of the corner to succeed in his game by arranging for him the finance for the shares.

The operator succeeded simply because he managed to get necessary finance through the Banks (Shivlal Motilal no doubt was a banker) with the help of Messrs. Merwanji & Sons and other such sound brokers. If he had not received such help, he would have surely failed and the public and the Exchange would have been saved from heavy losses which the operator gained on account of undreamt of unreasonable backwardation of Rs. 650.

As mentioned by the Association if Mr. Dalal have no particulars to give as to how this gme was played without a margin, he can get his reply or objection recorded but he cannot ask the Association to wipe out this sentence. Had he not been a member of the Committee he could not have asked the President to wipe it out. He should not therefore get this privilege by being a member of the Committee.

The Association does not mean any reflection on the part of any one concerned therein, but the Association means to convey to the Enquiry Committee that corners can be easily checked or reduced if brokers and financiers do not help such operators.

I have &c.,

(Sd.) K. R. P. SHROFF.
President.

Mr. Dalal :—Mr. Chairman, are you satisfied with the reply of the Association ?

The Chairman :—I am not satisfied with the reply of the Association.

Mr. Dalal :—Nor am I, particularly with the third paragraph of the letter.

The Chairman :—Mr. Shroff, you personally dissociate yourself ?

Mr. Shroff :—First of all I should say that the facts were discussed by the Association and they want to maintain it. I myself know nothing what happened at that time. My members discussed several points and they informed me of several things in connection with it. If Mr. Dalal wants me to go into the details at present, I have no objection, but I should ask him to wait for one day.

This letter clearly explains that the Association never meant to convey that Messrs. Merwanji & Sons were party to the corner Both the Chairman and Mr. Dalal were not satisfied with this letter. It was thereafter decided to omit the objected sentence as agreed upon by the President at a previous meeting. On the 27th December 1923 the following letter was sent to the Committee:—

Bombay, 27th December 1923.

G. DAVIS, ESQ., I.C.S.,
Secretary, Stock Exchange Enquiry Committee,
Secretariat, Bombay.

Sir,

In continuation of my letter of the 7th instant, I have to request you to expunge the following sentence on page 5 of our Representation to your Committee in view of the fact that Mr. P. M. Dalal cannot give the particulars referred to therein :—

> "Particulars as to how this game was played to finance the shares without a margin can be obtained from Mr. Pherozeshah Merwanji Dalal who is a member in the firm of Messrs Merwanji & Sons."

I have the honour to be,
Sir,
Your most obedient servant,
(Sd.) K. R. P. SHROFF.
President.

After the receipt of this letter, Mr. Dalal desired that it would be desirable to expunge the whole paragraph. With a view to satisfy Mr. Dalal, his request was complied with and the letter which is the subject matter of this explanation was written. Thus it will be noticed that the whole portion was expunged, not because it was incorrect.

Referring to appendices Nos. 1 and 2 one will be convinced that Messrs. Merwanji & Sons did help Mr. Petit in his operations.

The following is an extract from the oral evidence of Mr. Manu Subedar, the accredited representative of the Indian Merchants' Chamber. It is evident from his evidence that he was in no position whatsoever to verify the wild and irresponsible and one-sided statement made on behalf of the Chamber. This was not the only statement made by the Chamber, but there were several others of a similarly unverified character :—

EXTRACTS FROM MR. MANU SUBEDAR'S ORAL EVIDENCE

Capt. Sassoon :—There is a passage in your statement which I should like to get explained ; and that is about the question of the broker not paying the client moneys due to him without great delay. There was a member of the committee who gave evidence here this morning. When I put to him the question whether your statement was right, he said that with all his experience and knowledge of the Stock Exchange he could say that in no case did that happen. I would like to know from you whether you can give us any evidence on that point.

Mr. Manu Subedar :—On re-reading that statement I stick to it, because I have had definite information given to me on this score, but unfortunately it would be invidious to mention any names of individual brokers in this connection, and I decline to mention names. But I say I stick to the statement, which reflects truth.

Q.—Not even *in camera?*

A.—I would not give any evidence *in camera.*

Q.—We must be fair to the Exchange. It is rather hard on them if a charge is made against them, as it is now, and no evidence is brought forward to support it. It comes under the heading of " unfounded and wild charges ".

A.—If you like it, I would agree to go as far as I can without mentioning names. I would say such cases have been known to occur at the time of the Specie Bank crisis and at the time of the crisis of the Credit Bank of India, when very respectable firms in Bombay were unable to meet all their liabilities to their clients and had to ask the clients to wait.

Q.—What were the dates ?

A.—About 10 years ago.

Q.—You have here put forward a definite charge which I put forward to a member of the Committee of the Stock Exchange, and he absolutely and categorically denied it. Can you give me evidence of your statement ?

A.—I could not go any further. I have indicated the crisis ; I have indicated the motives of the member to withhold the payment, because he has his own obligations.

Q.—You have indicated the motives, but you have not given us facts.

A.—I have got the facts, but I could not mention names, which I am most unwilling to disclose.

Q.—Your Association says that it has in its knowledge facts to back up this statement, facts which took place in the last four years, but which they are not prepared to substantiate ?

A.—The object of that statement is to prevent the broker doing business on his own account.

Q.—It must now go on record that you refused to back up your statement even *in camera.*

A.—I decline to give any evidence *in camera,* and I would not mention names which would involve personalities.

Q.—Let us leave sub-brokers, because they do not come in. Do you say that many brokers have left Bombay and have not paid their dues to the members of the public ?

A.—When I said many, I did not mean a large number. In the last few years cases have been known here and there of members having left.

Q.—There can be no objection to state the names of members who have run away ?

A.—I would have to look into the records, and bring the evidence on another occasion.

Q.—I think it might be valuable if you could send it to us.

A.—I would certainly have to put the matter before the committee of my Chamber and ask them if I could mention names. But those members who left temporarily might have come back now. It might be libellous to mention their names now, and I do not know if we are sufficiently protected even if the Committee were agreeable to give names, which I do not think they would be.

In Appendix 4, will be found for the information of Government and the public the same views which the Association had submitted to the Atlay Committee which they still entertain on the quality of the evidence of the representative of the Indian Merchants' Chamber as recorded by the Enquiry Committee.

In the opinion of the Association, it was absolutely necessary that that evidence as well as all the evidence of the persons who appeared before the Committee should have been included as an appendix to the Report to enable all just and fair minded persons to form their own independent conclusions.

The Association regret to note that Government have published the Report of the Bombay Stock Exchange Enquiry Committee but without giving insertion to our objections to and criticism on the Report and Recommendations. The Chairman of the Committee had kindly agreed to the insertion as per letter of the Secretary dated 14th November 1923. It was stated in the letter :

> " I am directed by Sir Wilfrid Atlay to say, that with regard to your first difficulty he can see no objection to your consulting your Association with reference to the Committee's recommendations with which you will be made acquainted and of due opportunity being given to you to put on record any objections to these recommendations and any other recommendations your Association may desire to make."

(*Vide* page 2nd of the printed copy of the evidence of the President forwarded herewith.)

A copy summary of Recommendations, with a letter dated 11th January 1924, was sent to the Association requesting them to send their written reply to the Secretary to Government, Finance Department, so that our criticism and objections may be printed as one of the appendices of the Report. But how may our criticism be indited ? Surely not on the basis of the mere bare heads given in the summary. Had Government taken the trouble to furnish the Association with the substance of the full contents of the Report in the form of a precis. the Association could have easily made their criticism and pointed out their objections to the recommendations. Moreover they had not even been supplied with a fair summary of the Minority Report. The Association accordingly replied to Government in terms of their letter of 22nd January 1924. Even this letter has found no insertion as an appendix which to say the least lacks the spirit of fair play expected from Government. The Association are at a loss to understand in face of the fact of the Chairman, Sir Wilfrid Atlay, having consented to the insertion of objections in the Report.

But these are not the only grievances of the Association against Government. They knew well enough that the Association were the most interested party. As such it was their duty to furnish them with a copy of the Report in priority to all others. It was sent to the Press which, as usual, published only such portions of it as suited its policy and purpose. Indeed such was the courtesy of Government that the Association were supplied with a copy of the Report three days after it had made its appearance in the papers in the manner just described.

When the Enquiry Committee was appointed it was alleged that the Association was reluctant to co-operate with the Committee and had adopted a hostile attitude. How unfounded the allegation was will be learned from the following extract of the Majority Report:—

> "But we acknowledge with pleasure the assistance afforded us by the President and members of the Native Share and Stock Brokers' Association, who allowed us access to the records of the Association." "We would here remark that he (the President) has throughout the course of this enquiry worked hard and loyally for what he believes to be the best interests of the Association."

Even the Minority Report recognises the fairness of the attitude adopted by the Association throughout the enquiry.

Without the Association's hearty co-operation the Committee could have done very little. The Association have agreed to adopt all such recommendations of the Committee as they deemed practicable and workable.

The Association fully share the opinion expressed by the Committee that Mr. G. Davis, I.C.S., the Secretary, succeeded in securing co-operation of the Association by his sympathetic attitude, and go a step further and state that he was not only sympathetic but just—holding the balance even which really made him so successful as a Secretary.

APPENDICES.

APPENDIX 1.

Letter under the signature of the late Sir Shapurji B. Broacha, Kt. (then Mr. S. B. Broacha) published in the *Bombay Gazette* dated January 15, 1910.

HOITY, TOITY, WHAT GROANS ARE THESE?

To The Editor of the *Bombay Gazette*.

Sir,—A letter appears over the signature of Mr. Dadiba Merwanji Dalal in the columns of your contemporary under the heading of "Bombay Share Bazar—Reform Needed". I suppose "the silent and deep-thinking brokers" is meant for Mr. Dalal and "Do not want political speeches, portraits, or newspaper eulogies" is a personal attack on me. Mr. Dalal is an estimable young man, when his head is not off the track. He is the son of a dear friend of mine, the late Mr. Merwanji, and I have an ancestral regard for him. But I am so much afraid of his congenital propensities, that I am even afraid to chide or anger him for his foolish utterances and I pass them by with a smile. He has stated "Members of the London, Calcutta and Madras Stock Exchanges have severely commented upon the situation existing in Bombay". I boast of a wider acquaintance with the Stock Exchanges of the world, in the streets of which I have often acted, but I am astonished to learn I have not heard of the Bombay Stock Exchange having excited a ripple among them. "What is Hecuba to him or he to Hecuba?" we thought; but the Bombay Stock Exchange now will be proud to learn that the eye of the Stock Exchanges of the world is directed on it. Only the New York Stock Exchange is not mentioned, but perhaps it is an omission.

Now about the true facts of the Petit shares. Some months ago a syndicate was formed for buying up Petit shares, not for investment but for rigging them up. It could not of a certainty, have been for investment; when owing to the present abnormal depression in cotton industry, shares of every Mill are seeking a lower and still lower ground, how could a man outside a lunatic asylum buy at a price which it only twice reached in the most prosperous times, and even then by manipulation? The financing of them was most shady and costly; and if they make a grievance of what I say, I am answerable to them. The Banks refused to take the principal's name and the shares had to be guaranteed by the brokers, some of whom were so cautious of their skins that they would only guarantee them on condition that they sold the same shares forward simultaneously in the market and carry them on from settlement to settlement. The principal acceded to these monstrous terms with a view to keep these shares out of sight. He paid monstrous commissions which impecunious men pay to Marwaries, which do not appear in the "Bonds". Of all this the Board of the Brokers' Association was aware, and they warned the brokers to beware of the trap. But the brokers and their customers were human, like the rest of us.

On Wednesday the 5th January, the market closed for Petits for January Settlement at 3407½ and for February at 3307½. It opened on Thursday about the same rate but was quickly taken up to 3925. A little before the closing of the market the shares were down to 3725 but at the last minute of its closing the rate was put up to 3925. The February shares throughout the day to the closing fluctuated between 3300 and 3350. When the brokers of the "bull" principal were bidding for shares at 3900, another broker sold a hundred shares at 3300 for February. They were genuine bona fide shares, on which the Bank would give accommodation no longer. The shares sold at 3300 could belong to no other than to one of the syndicate, for what person out of an asylum will not sell his security at 3900 for ready cash, but sell it at 3300 for a payment a month after? Mr. Dalal was the broker of this principal who sold these hundred shares at 3300. The subsidiary broker whom he employed to sell had another big commission for his guarantee, for he sold them at a higher rate than 3300. Will the same purity and straight dealing obtain in the New Stock Exchange?

> Of all the woes Heaven thy wrath could send,
> Oh, save me, save me, from such a friend.

Early on Friday morning the Board was confronted with a difficult situation. While the Board was deliberating, I received a communication from the principal of the syndicate that he wished to see me and was ready to come to my office, if I was too busy to go to his. I said I was a broker and I was bound to go wherever called. I left the meeting with the Board's permission, but before leaving had the Board pass a resolution to stop all business in Petit shares, and all auctions. Mr. Dalal sent me a request to let him accompany me, to which I raised no objection. But I now wish I had not taken him, any how not have allowed him to leave me and to go to the syndicate's private deliberations. I stayed to discuss the question for about three hours, told the principal my mind on his conduct and the way to the ruin of himself he was seeking, and not having come to terms left him. I assembled the Board, told the members the result of my interview and advised them to pass a resolution to give notice to the principal through his brokers to buy the shares on their account by a public auction. The message was taken to him, but he gave no heed to it; he sent notices to his brokers the following morning, *i.e.*, Saturday, that he had fixed the price for the undelivered shares at 4000. Exception has been taken to the Board's resolution; why should not the rule of the Exchange have been followed, *viz.*, the brokers buying up the shares by public auction on behalf of their principals? The reasons of the Board were weighty and well thought out. The Board knew the weak financial position of the principal, which had come to such a low pass that his own brokers refused to carry forward to the next settlement his shares as they were afraid of the financial position of their principal. It was because they refused that brought matters to present pass. There were already about 425 transfers delivered to him for signature. There were further notices of claims for 700 shares more and if the brokers had picked them from auction at 4000 or over, and ultimately if the principal was unable to raise money on the whole 1100 shares, then the second stage would have been worse than the first. For, in order to pay money for the 1100 shares the brokers would have to re-sell these shares on account of their principal, and that principal eliminated as a buyer, the shares might have been sold not over 3000 to 3100, for last year even in times better than these they were selling at 3000. And where was the harm in the principal buying on account of his brokers by public auction? If I do not deliver shares bought for my customer, my customer's remedy is to buy up on my account at auction. And that remedy was given to him by the Board.

How generous the Board was to the buyer! The closing rate on Thursday for the shares was something between 3700 and 3900. After the closing of the market the same evening it was 3600. There were sellers at less, provided the brokers guaranteed the money which was no wonder, for Mr. Dalal had sold the shares for the next settlement at 3300. No transaction had been done in the market over 3925. The principal sending the notices that he had fixed the rate at 4000 had acted illegally for no business at 4000 had passed. The principal having acted illegally, the Directors had a right to decide which was the true rate on Thursday. The true rate would have been 3400 to 3425; for when shares were being bought at 3800 and 3900, one of the syndicate was selling through Mr. Dalal, genuine shares at 3300. Therefore the Board would have been justified in fixing a rate about a hundred over the price the principal put for February. The penalty of one hundred would have sufficed, but the Board gave him his full pound of flesh for the honour of the Stock Exchange by giving him the rate Rs. 3800.

Hitherto I did not reply, for, however annoying the anonymous correspondence in a newspaper may be, a public servant whose conduct places him above suspicion ought agreeably to pass them in silent contempt. But I am forced to today because I am publicly named and the correspondent of your contemporary has put his signature under his letter.

No threats of opening one or a dozen Stock Exchanges will deter the members of the Board from doing their duty to the Bombay Stock Exchange. The Board will always be inimical to all corners and unfair dealings and at any time in future under similar circumstances they will act up to their convictions promptly and resolutely.

Your contemporary's correspondent "Englishman" can rest assured that so long I am a member of any Stock Exchange or any Association, there Englishmen shall never be barred. But if they are, I go out. Much is made of a clause in the Articles of Association which did not come to my notice until the re-codification of rules was sent to me to read, and which is now to be amended.

Yours etc.

(Sd.) S. B. BROACHA.

P.S.—Some one has just handed me a calendar leaf of Wednesday 12th January, wherein the following reads :—

> "Some men think that rules should be made of cast iron; I believe that they should be made of rubber so that they can be stretched to fit any particular case and then spring back into shape again."

Bombay 14th January, 1910. (Sd.) S. B. B.

APPENDIX 2.

The report of the extraordinary general meeting of the Native Share and Stock Brokers' Association published in the *Times of India*, dated 3rd February 1910.

BOMBAY SHARE-BROKERS.

THE BOARD DEFENDED.

An extraordinary general meeting of the Bombay Native Share and Stock Brokers' Association was held on Wednesday afternoon in the hall of the Association in the Share Bazar, when about three hundred persons were present, Mr. Shapurji Burjorji Broacha, President of the Association, presiding. The Honorary Secretary, Mr. Ardeshir Hormusji Madan, read a requisition signed by 73 members in response to which the meeting had been convened. It was in respect of the recent controversy about the rate fixed by the Board relating to Manekji Petit Mill shares for the January account. The Board of the Association had modified a rule, and allowed the rates per share of Rs. 3300 instead of Rs. 4000. The comments levelled at the directors were construed into a want of confidence in the President and the Board, and Wednesday's meeting was therefore convened to express a vote of confidence in them.

Mr. Dorabji Framji moved the resolution which was as follows :—

> "That this meeting resolves that the steps taken by the Board of the Association in order to solve the difficulty and confusion, caused by time-bargains in the Manekji Petit Mill shares for January account were quite just and within the authority of the Board ; and whatever anonymous attacks were levelled at the Board about them in public were entirely unjust The meeting further resolves that it has full confidence in the work done by their respected President (Mr. Broacha) and by the Board, at the sacrifice of their valuable time, for the protection of the Association ; and this meeting tenders to them its best thanks for these valuable services."

THE RECENT ATTACKS.

The mover said that some " silent " and " deep-thinking " persons, as they called themselves, had hastily resorted to public attacks on the Board ; but it would have been better for all had they not resorted to these. Clause 21 of the Association's articles empowered the Board in cases of urgency to alter or to set aside any of the clauses, and the Board was justified in exercising such power in this case. The rules and regulations of the London Stock Exchange were an instance in point ; what was more, these rules had been acted upon. The long interval of nine days between the contracts and their fulfilment rendered the cropping up of ruinous fluctuations a probability, were the rule allowed to stand as it was. This rendered it necessary for the Board to alter the bye-law so as to make the transactions cash ones, in order to avoid loss and inconvenience. The opposers opposed this course, and called themselves " the public ". But the meeting would be surprised that this " public " consisted of one gentleman only (Laughter and applause.)

Mr. Varjivandas Tribhovandas seconded the resolution.

Mr. Kuverji Mervanji Mehta, in supporting the proposition, remarked that in order to put through the business the purchasers had paid ruinous brokerages of Rs. 100 per share, which where about twenty times more than the ordinary rates. This clearly proved the weak financial situation in respect of the deal in these shares; also, it quite demonstrated the urgency of the steps taken by the Board to alter the bye-law in question against the purchasers.

Mr. D. D. Kanga strongly disapproved of bogus transactions. He urged that the Association should prevent them by all the means in its power for the public good and so as to be able to keep up its reputation.

Mr. Kuverji Mehta drew the attention of the meeting to certain objectionable accusations used against the President (Cries of " No Notice ", " No Notice,") and added that on these the opposers grounded their argument for the founding of a new association on such a week basis.

Mr. Manekji Pestonji Broacha said that the sun could not be obscured by the flinging of a handful of dust at him; so these attacks were not capable of tarnishing by any means the reputation of their President. (Loud applause.)

Mr. Pestonji Edalji Mehta expressed the deep indebtedness of the commercial world in general and of the Association in particular to the Board who had placed the Association on a sound basis and made it worthy of the great confidence reposed in it by the public.

The resolution was put to the meeting, and carried with acclamation.

A LONDON PRECEDENT.

The chairman thanked the meeting on behalf of himself and on behalf of his colleagues on the Board. He said he was astonished to find that the wise and the clever brokers had not chosen to attend the meeting in order to enlighten them with their superior counsels and admonitions. To allow the meeting to say its say without being influenced by him in any way, he had expressly reserved his remarks till the last. When the mandatory message reached them that the Board should resign, they expressed their willingness to do so for they were told that there was a strong feeling running against them among the Parsi brokers, and the Hindu brokers, with both of whom he might say, he himself and the Board had the most friendly relations. But this resolution would be a direct contradiction to all those rumoures. The Board had exercised powers which had been exercised by the Board of the Stock Exchange of London, under their rules 10 and 20. The first rule stated: " In cases which do not admit of delay two-thirds of the Committee present must concur in favour of the immediate confirmation of the resolution and the urgency of the case must be stated on the minutes." The other rule was " The Committee may dispense with a strict enforcement of any of the rules and regulations, but a resolution for this purpose must be carried by a mojority of three-fourths of the Committee present at the meeting specially summoned, and consisting of not less than twelve members, and must be confirmed by a majority of the Committee present at a subsequent meeting specially summoned." Here, they did not carry out the alteration by means of a majority, but passed it unanimously.

A vote of thanks was passed to Mr. Ardeshir H. Malan, the Honorary Secretary of the Association, and the meeting terminated.

APPENDIX 3.

A short history of a sensational corner in Piggly Wiggly stock on the New York Stock Exchange—March 1923.

Piggly Wiggly is the stock of a store of that name of which Mr. Clarence Saunders, a former clerk, was the President.

The fluctuations of Piggly Wiggly Stores on the New York Stock Exchange had been in the limelight since several companies with similar names were forced into receivership some time ago. When these companies with similar names were forced into the hands of the court, gossip was current in the financial district to the effect that the professional element was endeavouring to make capital out of the bankruptcy of the companies with virtually the same names by selling short the stock listed on the New York Stock Exchange. The stock was under heavy fire from the "bears" who drove it down from $ 75 to $ 40 a share.

When these operations were at their height and the market price of the stock was low, Mr. Clarence Saunders, President of the Piggly Wiggly Stores, warned the bears that he would beat them at their own game, and, with his associates, went into the open market and bought every share of the stock that could be paid for. The buying by Mr. Saunders forced the price up from $ 39 to around $ 60 a share. The advance continued as a result of the covering of commitments for short account.

Mr. Saunders, in his statement, said, "I started buying the outstanding stock of our company to protect my stockholders who could have been ruined in the terrific attack made by the bear raids, and on the first day of the big drive I bought 33,000 shares. In just a few days I had accumulated 105,000 shares without making a single bid for the stock, but merely taking it on offerings.

"When I called for delivery, I had purchased altogether 198,872 shares out of the total of 200,000 shares outstanding stock of our company.

"All of this was done by me in my office at Memphis by long distance telephone through the use of about twenty brokerage houses.

"I understood to steady the market by telegrams and letters to brokers and stock holders, but false propaganda continued to float about as rumours and to depress and frighten holders of my stock. Finally broker after broker refused to do any further business with me and asked that I close my account by taking the stock purchased on margin and make full payment. Every demand of these brokers I met without asking for time.

"My understanding with Jesse L. Livermore who was handling my market operations, was that he would use my regular brokers himself trailing with protecting orders behind those placed by me, as I was then using different brokerage houses and other names than my own in order to disguise my movements in the market.

"I immediately instructed Mr. Livermore to place the supporting orders as he had been in the practice of doing before, through my regular brokers, and he replied with an emphatic no, that he would not do this, and that if I wanted the orders placed, to do it myself, which I did.

"He gave me the impression that he was little afraid of my financial situation and that he did not care to be involved in any market crash."

On Tuesday the 20th March, 1923, Mr. Saunders, according to reports, instructed Mr. Livermore to execute no further orders and to suspend loans of the stock.

At the same time he called for the delivery of all stock sold short. Following these orders, there was a scramble on the part of the shorts to cover their commitments, thus forcing the stock up to the record price of 124 or 52 points above the closing reported on Monday the 19th March 1923.

The Stock Exchange requested all members to report to the Business Conduct Committee in a sealed envelop their position in stock as under :

How many shares long and for whom ?
" short "
" borrowed "
" loaned "

The suspension of the shares from the Stock Exchange was the only course open to the Governing Committee. On Wednesday the 21st March they suspended trading in Piggly Wiggly, leaving the shorts to make their own terms with Mr. Saunders.

Mr. Saunders had all the stock at the prevailing high prices and his profit or loss could be calculated only after he disposed of his stock. His profit on the paper was close £4,000,000 (Rs. 1¼ crore).

He announced that he would expect settlement in full on all Piggly Wiggly stock sold to him short by 3 o'clock the 22nd March 1923 on the basis of $ 150 a share (*i.e.*, $ 26 above top quotation). After that time, he declared, " my price will be $ 250 a share, even if it takes the court to decide ".

The suspension of the rule requiring the delivery by 2-15 o'clock p.m. on March 21st of the Piggly Wiggly stock, deliverable through the Stock Clearing Corporation came next. The Executive Committee of the Stock Clearing Corporation adopted a resolution terminating on Monday March 26th the suspension of the deliveries of that stock, and requiring that such deliveries should be made at or before 2-15 o' clock p.m. on that day. In other words, the buying-in rule was suspended till 26th March.

In his statement, Mr. Saunders threw down the gauntlet to Wall Street with declaration that " As to threats about my stock being stricken from the list of the New York Stock Exchange I want the world to know that as long as I live I will not be president of any company again that has its stock traded in on the New York Stock Exchange where the gambler and the speculator leave such free rein to ply their trade. This means that our company will never allow its shares to be traded in again on the New York Stock Exchange with or without the permission of the New York Stock Exchange. A razor to my throat, figuratively speaking, is why I suddenly and without warning kicked that pegs from under Wall Street and its gang of gamblers and market manipulators." Mr. Saunders continued, " It was strictly a question of whether I should survive and likewise my business and the fortunes of my friends or whether I should be 'licked' and pointed to as a booby from Tennessee. And the consequence was that the boastful and supposedly invulnerable Wall Street powers found their methods controverted by well-laid plans and quick action. Never until my Piggly Wiggly operations in the stock market had I bought a single share of any kind of stock on the New York Stock Exchange. More than 25,000 shares, even with the day extra allowed, are still short to me on delivery. And there are still thousands of additional shares due on marginal accounts to others which must be liquidated in the settlement. It has been necessary in protecting the market on my stock to provide in various ways more than $ 10,000,000 in cash and none of this money came out of Wall Street and if I had been shy just one of the million at the right time all the other millions would have been lost. But the story about my trip to New York with $ 1,000,000 in handbags and with an armed guard is a plain lie told by a plain liar. Ridiculous propaganda for a gullible public to believe is the only explanation of the story."

On the morning of March 23rd, Mr. Saunders sent to the Exchange and to brokerage houses concerned in Piggly Wiggly stock a telegram in which he stated that upto 3 o'clock that day he would sell said stock at $ 100 per share on application to the National Bank of Commerce. On the same day Mr. Saunders' attorney addressed to the Exchange a letter in which he urged that the brokers representing Mr. Saunders would not be required to accept Piggly Wiggly stock unless such stock was already owned by the delivering broker on March 21st. He urged that brokers who had acquired stock for delivery subsequent to March 21st should not have the right to deliver such stock but should be required in lieu thereof to make a money settlement with Mr. Saunders.

The New York Stock Exchange stated that the suggestion was inconsistent with Mr. Saunders' offer earlier in the day to sell stock for $ 100 per share for purposes of delivery. At the time the suggestion was made, the Exchange had already ruled that stock acquired subsequent to March 21st would be a good delivery till 26th, and for that and other reasons it would have been impracticable to carry out the suggestion, even had there been an element of merit in it. But the suggestion was wholly contrary to the principles of stock exchange law, which required that **stock be accepted even on a defaulted contract at any time prior to the actual exercise by the other side of its right to buy-in the stock in default.**

On Saturday March 24th Mr. Saunders announced to the Newspapers that his offer to supply stock at $ 100 a share had terminated at 3 o'clock the previous day and he would not supply stock to the short interests at any price, not even for $ 1000 a share.

Mr. Saunders on 25th March notified shorts in the stock that he would accept delivery from them on Monday the 26th March at the hour fixed by **the special rule** of the Stock Exchange, of any number of shares they may have to cover their contracts but that his acceptance is to be made with reservations.

In his telegram of 25th March to brokerage houses, representing "shorts" Mr. Saunders declared that "I will accept delivery to-morrow on the assumption that the stock has been properly purchased and within the proper time limit for the proper delivery of stock due on my contract as may be determined later by court decision. I have never admitted the right either upon your part or to be swept away on the tide of a popular appeal, they warned. Why did the rest of the country shy away ? they asked. Less than 2,000 shares were sold during this campaign. The failure caused a panic in the ranks of the pool members. First, they had anchored their hopes on the mail order campaign. That failed. Next, they were confident the nation-wide newspaper campaign would bring them out. That failed. Last of all, Memphis failed. What to do ? As a last resort, Mr. Saunders proposed to the pool members that they take the collateral stock at $ 50 a share. They were in no mood to take the stock at $ 50 a share.

Sensing the hopelessness of the situation Mr. Saunders voluntarily resigned as President on Monday August 13th, turning over about 125,000 shares to his creditors at prices ranging from $ 20 to $ 35 a share and throwing in his real estate valued at more than $ 1,000,000, including a palatial country estate on which he has already spent $ 875,000.

Now, the company has been re-organized by pool members. J. C. Bradford is the new President. A committee of 3 pool members has been appointed to work with him. The new officials do not feel that they have " grabbed a business " but rather that they have accepted Mr. Saunders's proposition made in June that the business would be theirs if he did not " get them out " of the hole.

On the other hand, it is Mr. Saunders's firm belief that " Wall Street has its revenge ". He feels that he has been beaten out of a business which is morally his. " I will come back alright ", he says in the buoyant spirit which he has maintained through all the struggles of the past 8 months. " They have the body of Piggly Wiggly, but they cannot have the soul ", were his first words after resigning as President of the company. " I stand ready to face the future and to build another business. My head and my hands are all I need for the job."

APPENDIX 4.

The Indian Merchants' Chamber observes that "As a further indication of weakness in the same direction we have had several cases mentioned to us (which we are not willing to discuss with names) of not only members but members of the Board who supported action of some kind or other in consideration of direct receipt of money or indirect advantages by way of brokerages given by outsiders"

This is a grave statement for a responsible body like the Indian Merchants' Chamber to make. If it is unwilling or not prepared to submit "several cases" alleged to be within its knowledge, with facts, the Association respectfully submit that such allegations do not deserve the least consideration from the Committee. At the same time if the Chamber is willing to prove their cases, the Association is on its part prepared to offer its explanation or contradiction as the case may be. But it entirely disapproves of the attitude of the ostrich it seems to have adopted.

Regarding the selection of scrips on forward list the Chamber asserts that after "deliberate inquiry" it did not succeed in discovering any point of principle about our methods of selection. Questioned on this point Mr. Manu Subedar informed the Committee, "When we say deliberate inquiry we did not inquire from the Stock Exchange themselves, we have inquired from our members. Two cases were brought to our notice in which an attempt was made to bring in more securities into the list open for forward business. In one case a list of 50 securities was made out by the Board and the Board out of that selected 15, and these 15 were sent to the General body who threw out all 15 for reasons which we have never been able to understand."

Here the Indian Merchants' Chamber makes what it calls a "deliberate statement" which turns out according to its witness to be a statement made *ex cathedra* by its members. The Association says that it is far from truth. Two cases were spoken of by the witness and yet only one case was mentioned before the Committee. Even in that case it was incorrect on its part to say that out of 50 companies 15 were selected. That is absolutely opposed to facts. Actually there were 9 companies selected out of 17. It will be noticed from the below quoted resolution of the General body that the question of placing on the forward list the 9 companies was postponed on account of the reason that the place in the market was incommodious and that until the new place was ready for use, any forward transactions relating to these 9 companies had to be postponed :

RESOLUTION OF THE GENERAL BODY DATED 4-2-22.

> "With reference to the correspondence which has passed between our "Board and the Bank of India Ltd. regarding the settlement of "new companies it is resolved that the matter should be postponed "till sufficient accomodation is provided for the transaction of "business."

From the above it will be noticed how the actual facts widely differed from the allegations. Moreover no enquiry was made from the Association by the upon the part of the New York Stock Exchange to postpone the delivery date of the stock due me pursuant to my call for such delivery on March 20th and I do not now admit any such right, but, on the contrary, I intend to contest before the courts the action taken by the New York Stock Exchange in postponing the delivery date."

The New York Stock Exchange on 26th March, issued a statement reviewing the entire controversy over the alleged corner in shares of Piggly Wiggly in which it asserted that every move made by the Exchange was in accordance with its constitution and rules. It stated that the total amount of shares short was only 11,200 instead of 25,000 as stated by Mr. Saunders. The statement goes thoroughly into the history of the Piggly Wiggly stock since March 12th, when a protest was made to Mr. Saunders against selling the stock through an advertising campaign at prices lower than those quoted on the New York Stock Exchange. On March 19th the Exchange was notified that the advertising campaign would be discontinued on March 21st. Next on March 20th, Mr. Saunders called for delivery to him of all stock held long for his account

The Stock Exchange statement then continues "the observance of his instructions led to the calling of all loans of stock carried for accounts of Mr. Saunders and representatives of Mr. Saunders. The amount of stock involved far exceeded all the stock in the market other than that held for account of Mr. Saunders and other directors of Piggly Wiggly Stores.

"The enforcement simultaneously of all contracts for the return of the stock would have forced the stock to any price that might be fixed by Mr. Saunders, and competitive bidding for the insufficient supply might have brought about conditions illustrated by other corners, notably the Northern Pacific corner in 1901. **The demoralizing effects of such a situation are not limited to those directly affected by the contracts but extends to the market involving widespread loss and injury.** The action of the Stock Exchange has been in strict accordance with the constitution and rule of the Exchange and has resulted in substantial justice to all parties."

Piggly Wiggly stock was quoted "over-the-counter" in the financial district on the 26th March but little business was done by local houses. This was due to the belief that most of the local shorts had covered their contracts in the regular way. Stock was sold as high as 110 in the early dealings on the 26th March. At the close a firm had stock to offer at 95, but as there were no real bids a nominal quotation of 75 was made. All transactions that day were for spot cash, the buying, it was said, coming from shorts who had waited until the last minute to settle their contracts on the Stock Exchange.

Mr. Saunders announced that he would enter suit "against each of the brokers who was in default" and "in addition thereto, I will sue the New York Stock Exchange for conspiracy", as a result of failure to deliver shares of Piggly Wiggly within the customary twenty four hours after trades were made during the stormy trading in Piggly Wiggly on the Stock Exchange on Tuesday the 20th March.

Mr. Saunders announced that as his next move in the controversy over the Piggly Wiggly trading which put the Stock Exchange in an uproar on Tuesday and resulted in the elimination of that stock from the "big board" and a stock exchange order to extend until 26th March the time for delivery of stock sold "short" on the exchange on March 20th.

"One of the allegations of my suit will be that I was not delivered the stock which was due me, as I claim that no stock purchased after March 20th was a good and valid delivery of stock against my purchases prior to that time". "I don't intend to compromise this matter by settling secretly behind closed doors", he added, "merely for a money consideration, as the New York Stock Exchange no doubt thinks I would love to do, as money is the second consideration in this fight of mine".

"The rise and fall of Clarence Saunders, Piggly Wiggly chief, is now complete", says the New York *Times* in the issue of Sunday the 26th August 1923, "and the fall showing a man struggling desperately as he drops from one ledge of a financial cliff to another carries chapters just as crowded with interest as when Saunders commanded the attention of the whole country by trying to buck Wall Street with a Piggly Wiggly "corner". Dizzy was the climb from the position of a grocery clerk at a salary of $ 8 a week to the head of a company that dotted the country with Piggly Wiggly stores, with resources of $ 9,000,000 and dizzy was the fall that finally compelled him to turn his company and even his home over to others. The crash of Piggly Wiggly on the New York Stock Exchange left Saunders $ 5,000,000 (Rs. 1½ crore) in debt. Mr. Saunders declared that he would sue the Exchange on the ground of "welching". Bankers and hard-headed businessmen did not disguise their nervousness to Mr. Saunders. They agreed that something immediate must be done to get their money back without depending upon an uncertain suit. "Trust me, I will get you out," was the prompt reply of Mr. Saunders. All that was needed was to put the pool stock on the market at $ 55 a share and pay off the creditors. Immediately a stock selling campaign was begun through the mails, conducted by the Piggly Wiggly Investment Company, organised for this purpose. More than a million and half pieces of literature were sent out, the postage bill alone totalling $ 60,000 (about Rs. 2 lacs). This was followed by a big campaign of newspaper advertising, Pages displays were printed in the important details all over the country. Suddenly and without any warning a full page advertisement appeared in a Memphis newspaper, April 15, headed "WALL STREET IS RIGHT". In this advertisement Mr. Saunders announced that he would go "broke", if his stock selling campaign failed. He made a frank appeal to the civic pride of Memphis. This appeal won a warm response from his friends and business associates of years. The response was immediate and spontaneous. The Memphis Chamber of Commerce for the first time in its history extended its hand to a private business enterprise and assumed the responsibility of selling 50,000 shares at $ 55 a share on a basis of $ 10 cash and $ 5 a month. The local campaign was ushered in at a public banquet that attracted hundreds of the best citizens from every stratum of civic life. Overnight banners were hoisted over the streets bearing the slogan, "Save Piggly Wiggly for Memphis". Society women and boy scouts wore badges proclaiming "we are 100 per cent for Clarence Saunders and Piggly Wiggly" Merchants put placards in their windows urging "a share of Piggly Wiggly stock in every home". Pool members were still trusting. Memphis, the home of Piggly Wiggly, would buy the stock and Saunders would be saved. But the banks of the city were frowning on the stock-selling campaign. The stock was not worth $ 55 a share, they told their patrons. It was not the part of good business

Chamber about our method of selection. How then can the Chamber place at our door something which was never brought to the notice of the Association ?

It seems most extraordinary for a responsible public body to refrain from making any attempt at enquiry into the allegations for purpose of confirmation or contradiction and then make a statement which suppresses the true facts. It simply takes as gospel the *ipse dixit* of the members and then pretends to " deliberately " make an allegation. The Association respectfully asks the Committee whether in a Court of Justice such evidence would at all be heard unless accompanied by substantial correctness thereof. This very instance may be taken as typical, so far of a quantity of ignorant, ill-informed or misinformed criticism that has been retailed.

The Indian Merchants' Chamber further says: "It sometimes happens that a broker goes on extracting from the client cheques for losses and when it comes to making payment to the client for profits earned, he does not pass cheques to the client immediately, but delays the matter. They say that brokers delay for weeks and months and they use their clients' money for their own business." This is the wildest of wild and irresponsible statements which has no foundation in fact and on the face of it seems to be made with a view to prejudice or mislead the Committee. Mr. Manu Subedar was in no position whatsoever to prove it. He evidently had referred to cases which occurred at the time of failures of Credit Bank and Indian Specie Bank ten years ago, banks by themselves which were notorious for the extraordinary laxity and irregularity of their managers.

At the time of the failure of these Banks there was a severe crisis on the Exchange. Many became defaulters and there were others who were not able to meet their liabilities in no way owing to their laches or dishonest intention but to the failure of the Banks, and yet despite the losses they incurred they strove their very best to settle with their creditors by paying them 16 annas in the rupee with interest gradually from time to time. What do these facts prove? Will it be denied that the Stock Exchange had maintained its prestige and honour even under such a crisis ? Such high commercial morality is hardly to be found elsewhere.

When the Exchange suddenly dropped from 2 sh. to 1 sh. 4d., the Piecegoods Association as a body passed a resolution declining to pay the exporters from whom they had ordered their goods unless they agreed to fix the Exchange at 2 sh. For one reason or other they attempted to repudiate their contracts wholesale, and there are many members of the Piecegoods Association who, the Association believes, to be members of the identical Indian Merchants' Chamber. The Association on the other hand has never been known to have been guilty of such a wholesale or even partial repudiation by its members.

At a General Meeting held on 29th October 1923, the President of our Association observed that :

> " During the period of depression following the great War, the wave of
> " cancellations swept the commercial world. Bombay did not escape
> " the evil consequences of such a wave. Some of the Exchange
> " Banks and several mercantile firms lost heavily on the advances
> " against import of piece-goods etc. from Europe on behalf of

"their customers. Our spinning and weaving Mills had also to "come to terms with the parties who had entered into contracts "to purchase the goods from them. Throughout the world there "was welching on a trade and the evasion of a contract was sought "and allowed. If authentic statistics instead of prejudices were to "be consulted, it will be found that even during the worst slump, "the Stock Exchange met its liabilities to the public to a pie "without any failure of importance, whereas its individual members "lost heavily owing to the default of their clients. The wave of "cancellations never overtook our Association. No group of "businessmen other than members of our Association can boast of "such high commercial morality."

The Chamber further observes that: "The present Stock Exchange is too much cut up by party factions and Hindu-Parsee feeling and by a vain conceit that everything is perfect and that brokers are not only incorruptible but unsurpassed in wisdom."

Questioned as to whether there was any communal feeling between them, Mr. Manu Subedar replied, "I would not have believed, that, if I had not seen the proposed Rule 46, drafted by Mr. Shroff; herein it is laid down that a certain proportion should be Hindu and a certain proportion Parsee."

This rule in question in the first place was not framed by Mr. Shroff alone but framed and secondly passed by the unanimous vote of the Committee consisting of Hindu and Parsee members alike appointed for the purpose. Is it not strange for a Chamber to conclude that there is party faction from a rule of this nature? There is a similar rule on the Calcutta Stock Exchange that an equal proportion should be of Europeans, Marwaris and Bengalees in the Committee. There is a similar practice to appoint a Sheriff of Bombay, and President of the Municipal Corporation from different communities by turn every year. There is absolutely nothing objectionable in such a rule if approved by all the members and it is simply malicious to state the matter in the way the witness has done.

The Association extremely regrets that a responsible body like the Indian Chamber should have sent as a witness a member who had the audacity to make allegations of a serious character which he is unable to substantiate and the Association leaves it to the sense of justice of each and every member of the Committee, two of whom are members of the Indian Merchants' Chamber, whether such evidence was at all worthy of credence to be embodied in their proceedings.

MINORITY REPORT
OF
MR. BHULABHAI J. DESAI,

One of the Members of the

Sir Wilfrid Atlay Stock Exchange Enquiry Committee.

CX. 9. 45

Report of Mr. Bhulabhai J. Desai, one of the Members of the Stock Exchange Enquiry Committee.-1923-24.*

I, the undersigned, Bhulabhai J. Desai, one of the members of the Stock Exchange Enquiry Committee, beg to submit to His Excellency the Governor of Bombay in Council my report as follows :—

1. Pursuant to a resolution passed by the Bombay Legislative Council a committee was appointed on the 14th September 1923 to enquire into the constitution, government, customs, practices, rules, regulations and methods of business of the Native 'Share and Stock Brokers' Association of Bombay and to investigate any such complaints of the public and to make any such enquiries with reference to any of the aforesaid matters or any other matter appertaining to the aforesaid Association and thereafter with a view to protect the investing public against the interested or irregular control of business, to formulate such definite proposals for the future constitution, control, direction and regulation of the aforesaid Association as the Committee may deem proper. The inquiry therefore fell into into three parts :— (1) as to the internal management of the Association and the rules and practices concerning the same ; (2) to investigate any complaint which might be made by the members of the public regarding the aforementioned rules and practices ; and (3) to submit definite proposals with a view to protect the investing public against interested or irregular control of business by the members of the said Association if it appeared to the Committee that the Association by its rules or practices was guilty of interested or irregular control of business.

2. The said resolution was moved on the 16th of October 1922 by Mr. Haveliwalla in the Bombay Legislative Council on account of heavy speculation which had taken place in shares of Joint Stock Companies in Bombay in the years 1919–1922. Mr. Haveliwalla appeared as a witness before the Committee and frankly confessed that he had no knowledge of the rules, regulations or practices of the Association or how far such rules and practices were responsible for the evil of which he complained. When the said Resolution was moved in the Council certain amount of uninformed criticism took place but it was admitted that nobody was then in a position to say whether the Association was responsible for the state of things complained of.

3. It is a matter of common knowledge and also supported by evidence before this Committee that the heavy speculation on the Stock Exchange in the abovementioned years was a part of the widespread effect in India of the conditions produced by the European War. Europe ceased to produce for the time being any manufactured articles except those required for the prosecution of the War and with the stoppage of import into India of such articles a boom period set in

in all industrial enterprises and the public mind was so much captured that very little foresight was exercised. Floatations of new companies for different kinds of industrial enterprises were several times over-subscribed and the value of the shares of the existing companies went up partly by reason of machinery for the new factories not being available and partly by reason of the products of these factories selling at high prices. Large numbers of persons engaged in other modest trades and professions thoughtlessly believed that fortunes were to be easily made on the Stock Exchange, and after the fever had subsided when the depression came and losses occurred there was a discontent for which blame was put upon people other than those responsible. A large number of the newly floated companies found it difficult to commence business. On account of the Swadeshi feeling the existing companies, and in particular textile Mills, still continued to sell their products at reasonably remunerative prices.

4. Recent events however point in my opinion to a return to normal conditions. Most people who flocked to the Stock Exchange during the boom period have reverted to their old modest employments and professions. The boom in the market was so high that in the year 1918 a new limited company was formed and incorporated under the name and style of the Bombay Stock Exchange, Limited. It had a feverish career and its influence extended even to outlying parts of the Presidency but for some time past no business is being transacted on the said new Stock Exchange and it is now practically a dead institution. The figures relating to the business of the Association point to the same conclusion.

5. It has been stated in the report of the Majority that corners have become a recognised phenomenon in the share market of Bombay. If by that statement it is intended to convey that speculation in the Bombay market is anything like what it was in boom time, that conclusion is erroneous and contrary to facts. I am of opinion that within a a short time one will hear as little of corners in the Bombay market as of the ruinous speculation which reigned in the boom period. There is very good reason why corners should still survive for a time even though the period of active speculation is on the wane, because those capitalist interests who had taken up shares of joint stock companies at abnormally high prices would make some more efforts to make up for their losses (consequent upon depression in values) by attempting to squeeze the unwary public. They will however soon realise that times have changed and they must reconcile themselves to the condition in which they have been led by their own action or into which they have been driven by necessity. There is reason to believe and every indication to rely upon, that normal state of things would soon prevail on the Stock Exchange.

6. It was recognised during the course of the evidence that speculation was a part of the normal life of a stock exchange market and the majority of the Committee were of opinion that without an element

of speculation there would be little or no life in a stock exchange market. If on economic or ethical grounds speculation or forward dealings deserve to be altogether stopped, those considerations have got nothing to do with the question how far the rules or practices of the Association have led to ruinous speculation. There is nothing in the rules and practices of the Association which is shown to have resulted in such condition but taking advantage of the fact that a cry was raised by disappointed speculators who were the authors of their own ruin, the capitalist interests have availed themselves of the situation to support their unfounded complaints against the Association on account of their disappointment in not having been able to realise their wild expectations from successful corners. It is significant to observe that those who directly or indirectly were interested in the bullish condition of the market and gave evidence before the Committee stated that they had no complaints against the Association, save and except the existence and the enforcement of the rule against Corners known as Rule No. 26, and one of such witnesses stated that if the said rule is abolished he had no complaint against the Association. In other words the complaint of the speculators, who were the authors of their own ruin reduces itself to nothing and the complaint of the bullish element is confined to the existence and enforcement of Rule 26. When the matter is thus analysed it appears to be clear that there is no interested or irregular control of business by the Association against which the investing public require to be protected. While I agree with the majority of the Committee that corners are an undoubted evil in any market, I respectfully and entirely differ from the conclusion of the said majority that the method devised by the Association to combat corners has encouraged rather than checked their growth. I also differ from the finding of the Committee that the action of the Association taken under Rule 26 is an interference with the course of free trading in the market or that it is the fundamental course of embarrassment in the affairs of the Association. In my opinion the enforcement of Rule 26 is an attempt to restore in some measure free trading in a market when dominated by one interest in the hands either of an individual or a syndicate. It is an idle pretence on the part of the bulls to urge that if their mischievous activities are sought to be checked it is an interference with free trade.

7. The strongest commentary on the genuineness of the complaint of the bullish element against the existence and enforcement of Rule 26 is the fact that they have continued to actively trade and to attempt to make corners notwithstanding the existence of Rule 26 and knowing that it would be applied. If the rule were half as vicious as it is pretended to be, the matter could be easily brought to a head by the bull elements refusing to effect any transactions through the Association. The bears cannot sell to themselves, and it is therefore perfectly obvious that if the rule was really objectionable the bulls by refusing to enter into transactions would have brought about its abolition, it being ascertained on behalf of the

bulls all through the enquiry that the bulk of the share brokers are bears.

8. It also appears from the evidence recorded before the Committee that notwithstanding the immense speculation which took place through the Association, the members of the Association met their obligations to their clients except to a very insignificant extent and that only one member of the Stock Exchange was guilty of fraud in his dealings and absconded from Bombay.

9. It is I think an idle threat to suggest that if the guidance which the majority report purports to afford to the Association is not accepted by the Association that the Government would or should interfere by prohibiting all forward trade in stocks and shares. It is equally erroneous to suppose that such interference by Government would work in the interest of the general community and it is equally a vain hope to think that the Majority of the Committee would succeed in forcing the hands of the Association in accepting their recommendations in the matter of this rule by telling the Association that in default of their doing so their members would be deprived of the means of livelihood.

10. It is unnecessary for me to go into the history of the Association. The Association is an old established Institution and though its formal constitution dates from the 3rd December 1887, its existence can be traced back to many years before that period. In my opinion undue emphasis is laid in the Report on the fact that the aims and objects of the Association do not specify in some manner the protection of the public. This observation is founded on a misconception. If brokers associate themselves into a body the objects would primarily be those which affect themselves, but when one of the objects of the Association is to promote honourable practice it may be fairly assumed that the Association is concerned to act honourably towards those who employ them, *viz.* the speculating or investing public. The only reason why the Association has not hitherto undertaken the investigation of any complaints from a client against a broker is that unless the client is prepared to submit to the decision of the Association such investigation is of little or no value, and I am of opinion that if a rule on the lines of Rule No. 77 of the Rules and Regulations of the London Stock Exchange were adopted, the Association would I have no doubt entertain and investigate such complaints. The said rule and the form of the Agreement of Reference are set forth in the next paragraph.

Rule 77.

11. If a non-member shall make any claim or complaint against a member, the Committee shall in the first place consider whether such claim or complaint is fitting for their adjudication, and in the event of their deciding in the affirmative, the non-members shall, previously to the case being heard by the Committee, sign the form of reference No. 31 in the Appendix.

FORM.

To the Committee for the General Purposes of the
Stock Exchange, London.

In the matter of a complaint between..................and ....

Gentlemen,

I do hereby consent to refer this matter to you and I undertake to be bound by the said reference, and to abide by and forthwith to carry into effect your Award, resolution or decision in this matter, in the same manner as if I were a member of the Stock Exchange, and I further undertake not to institute, prosecute or cause, or procure to be instituted or prosecuted, or take any part in the proceedings, either civil or criminal, in respect of the case submitted. And I consent that the Committee may proceed in accordance with the ordinary rules of procedure, and I undertake to be bound by the same. Also that the Committee may proceed ex parte after notice and that it shall be no objection that the members of the Committee present vary during the inquiry or that any of them may not have heard the whole of the evidence and any Award or resolution of the Committee, signed by the Chairman for the time being, shall be conclusive that the same was duly made or passed, and that the reference was conducted in accordance with the practice of the Committee. And I hereby agree that this letter shall be deemed to be a submission to arbitration within the meaning of Arbitration Act, 1889.

Agreememt Stamp.

12. As regards admission to membership the rule concerning the same has been so altered as to admit to membership any British subject, subject to a qualification of residence for a period of 10 years in the Bombay Presidency. It is recommended in the majority report that the name of the Association shall be the City of Bombay Stock Exchange. I have no objection to the alteration suggested but it does not appear to me to be a matter of any significance or importance. Notwithstanding the fact that admission may now be open to any British subject there is no reason why the present members should not desire that they should continue to be called by a traditional ancient name.

13. In view of what I have stated regarding the manner in which the obligations have been met by the members of the Association towards their clients it is quite unnecessary to suggest any alterations relating to the manner in which the enquiry as to the status and sufficiency of a candidate before admission. It is also not possible to insist that a member of the Association shall not follow any other profession. I agree with the majority of the Committee in the view that as far as possible it would be advisable to have members whose only, if not the chief, occupation is that of a share broker.

14. I also agree with the recommendation of the said Majority

that the amount of the annual subscription should be reasonably increased so that the Association would be placed in a position to have larger funds for recurring expenditure particularly as I desire that the Association should have an efficient executive staff.

15. As regards the rules relating to the internal management of the affairs of the Association, the powers and the duties of the President, and the other officers, the Committee of Management and sub-committees which might be appointed from time to time and of the General Body, I have examined the draft rules which have been prepared by the Association and I am of opinion that those rules if passed with the alterations I have suggested in this report will leave little to be desired. The routine executive work of the Association including the publication of the rules and regulations and keeping them upto date, publication of the list of members of the Association and other matters of this kind should be in my opinion more regularly and methodically done than has hitherto been the practice.

16. As regards the use of the premises of the Association by persons other than members and their recognised clerks the question is more a matter of convenience than of principle, but the Association would however do well not to allow any confusion to be introduced into their business by the admission of the outsiders into the actual place reserved for transacting business.

17. Perhaps the only complaint (if it can be so called) which is repeated in the evidence of most of the witnesses other than brokers relates to the excessive number of days on which the Exchange is closed for business, and though in a voluntary profession it is not possible to compel people to work if they do not so desire, I think the Association ought to meet the public desire and curtail the number of days when the Exchange is so closed. Such curtailment can be done in two directions, first by observing less Holidays and secondly by getting through the Clearance work in shorter time than at present.

18. It is generally recognised that it is not possible to have a clear division of jobbers and brokers in the Bombay market. It also appears from the evidence recorded before the Committee that many, if not most, brokers deal on their own account to a certain extent. When disputes between a client and broker have become the subject of litigation the Courts have enforced against the brokers all the legal obligations and disqualifications attaching to an agent. The law however allows an agent himself to deal in the matter of his agency with the knowledge of his principal, and in order to avoid all disputes and difficulties I am of opinion that there should be two recognised forms of contract which every broker should use according as he has effected the transaction as the agent for his client or he has accepted the transaction on his own account. I am also of opinion that it will serve public interest that in every case a written contract on such forms should be issued by every broker and delivered to his client. I have not been able to form any definite opinion on the evidence produced before us as to a proper scale of brokerage. The minimum brokerage

which is insisted upon in the rules of the London Stock Exchange is not intended so much as a protection to the client as a prevention against under-cutting by one broker at the cost of another. If however such a minimum scale is fixed, it would be desirable to have a rule that such minimum shall be the rate which the client would be bound to pay in the absence of an arrangement to the contrary.

19. As regards the employment of sub-brokers, that is, persons who canvass business in return for sharing brokerage, I do not think that canvassing in any business of this kind can be successfully checked; at the same time it would be advisable to frame rules so that the number of persons, so employed by any broker are well known to the other members and that such a person does not purport to carry on business on his own account as if he were a certified broker.

20. An objection has been taken to the practice of the Association whereby a seller of a share is obliged in fulfilment of his contract to hand over to his broker the relative share certificates and the transfer forms duly signed with the name of the buyer blank. If the institution of jobbers does not exist it appears to me that that is the only way in which a seller can or can be required to fulfil his contract. The obligations of a seller of shares have been laid down by Brett, Master of the Rolls, in the case of Skinner *v/s* the City of London Marine Insurance Co., Ltd. (14, Queen's Bench Division, p. 882), as follows :—

> "The only contract on a bargain of sale of shares is that the seller shall execute a valid transfer of the shares and hand the same to the transferee and so do all that is necessary to enable the transferee to insist with the Company on his being registered as a shareholder in respect of such shares."

Under such circumstances when a blank transfer form is handed over to a purchaser it clothes him with the authority to fill in the blank. On the London Stock Exchange by reason of the division into Jobbers and Brokers and by reason of the clearance being effected by the Stock Exchange itself it appears that the blank transfer is filled in before the transfers get into the hands of the purchaser. The evidence recorded before us points to numerous difficulties in the way of a completed transfer being insisted upon in Bombay. The result of course of the present practice prevailing in Bombay is that a seller of the shares remains liable in respect thereof as between himself and the Company until the purchaser or a successor is actually substituted on the Company's register. It is not a matter of any importance in the case of a fully paid up share, but it is a matter of importance in case where there is a certain amount of uncalled liability on the share which is a subject of the sale and I am inclined to think that the difficulties which have been pointed out can be met by allowing the transfer to stand good even though blank for a certain definite period from the date of its issue. It should however be observed that it does not follow from the blank transfer being filled in that the transferee would necessarily get himself registered on such blank being filled in. At the same time it is certain that if such transferee whose name is filled in wishes to sell the share he could not in his turn execute a valid transfer until he had got himself registered and in that indirect way the original seller who gave the blank transfer would succeed in getting a successor on the register of the Company. As the result of the taking of blank transfers there is considerable laxity and negligence on the part of the buyers to get themselves registered in the hope of being able to sell the shares without getting themselves registered. It should however be pointed out that a purchaser or pledgee by omitting to get himself registered runs serious risk of an earlier title prevailing over his as illustrated in the case of R. D. Sethna *v/s* the National Bank of India (see Indian Law Reports, 36 Bombay, at page 334).

21. I next proceed to deal with the question of corners which have taken place in the Bombay market and their causes and the remedies to meet such occurrences. I am of opinion that frequent occurrences of corners in a market is not a healthy sign but the real question is whether the policy and the practice of the Association, are, and if so to what extent, the cause of such occurrences. This mattsr has been dealt with in the Report without a proper and careful examination of the evidence recorded before us and the conclusions of the Committee on this vexed question are, I respectfully venture to observe, based upon vague generalisations.

22. Over 14 brokers in active business have given evidence before us. It appears from their evidence that in October 1919 a corner was declared in the shares of Madhavji Dharamsey Mfg. Co. Ltd., that in February 1921 a corner was declared in the shares of Fazalbhoy Mills, that in July 1921 a condition akin to a corner existed in the shares of the Currimbhoy Mills, that in January 1922 a corner was declared in the shares of Finlay Mills, that in the same year corners were attempted in the shares of Nagpur, Swadeshi, Currimbhoy and David Mills, and that in the year 1923 a corner or a position akin thereto was declared to have existed in the shares of Kohinoor Mills and of the New Great Eastern S. & W. Co. Ltd. Evidence has also been given by Mafatlal Gagalbhai and Rai Saheb Sangidas Jesiram. Rai Saheb Sangidas was concerned in a Syndicate which failed to successfully corner the shares of Nagpur, Swadeshi, Currim and David Mills whereas Mafatlal Gagalbhai succeeded in carrying out corners in the shares of Standard and Kohinoor Mills. Of the broker witnesses the evidence of Mr. Shroff the present President of the Association, Mr. Jamnadas Morarji, Mr. Jagjiwan Ujamsey, Mr. Phiroze Jehangir and Mr. D. D. Kanga is the most valuable. Mr Jagjiwan Ujamsey has clearly shown that the principal recent corners were mainly forced on the market by individuals or syndicates intending to squeeze the bears. Mr. Jagjiwan Ujamsey has also spoken about the influence which a certain syndicate attempted to bring to bear on the Committee of the Association in reference to the declaration of corner and fixing of rates. The Committee have considered that evidence credible and I do not

desire to comment on that part of the evidence, for however immaculate a Committee may be, they cannot prevent an attempt being made to influence them in their decision. It further appears from his evidence that during the boom time of 1921-22 a certain syndicate commenced speculation on a very heavy scale and purchased many securities for about 8 or 9 crores. Rai Saheb Sangidas came to be interested in that syndicate at a later stage. It further appears from the evidence of Mr. Jamnadas Morarji that the corners in Currim, David, Fazalbhai and Finlay Mills shares and the attempted corners in Nagpur and Swadeshi were largely the result of the operations of this syndicate. It also appears from the evidence recorded before us that the corner in the shares of the New Great Eastern S. & W. Co. was also due to the operations of another syndicate.

23. The evidence of Mr. Shroff and Mr. Jagjiwan Ujamsey is nearly to the same effect. The evidences of Mr. Phiroze Jehangir, Mr. D. D. Kanga and Mr. R. R. Nabar support the same conclusion. The evidence of Rai Saheb Sangidas and Mafatlal Gagalbhoy leaves no doubt in the matter. Of all the brokers who gave evidence Mr. N. M. Dumasia was the only one who recommended the abolition of Rule 26. Mr. Dumasia is a journalist by profession and deals on the Stock Exchange as a second string to his bow and has (to use his words) considered it immoral to trade except as a bull. Mr. Kikabhoy Premchand the ex-President of the Association was of opinion that the sovereign remedy to check speculation was 'breaking of the link.' That view has not found favour even with the majority. If his favourite hobby was however not accepted I do not read his evidence to mean that the Committee of the Association should not have some power of the kind referred to in Rule 26 with a view to protect the interest of the Association and the public in the event of a corner.

24. I have come to the conclusion that the corners, the occurrence of which is described as a sinister manifestation of speculation in Bombay in recent times, are not in any manner due to the practice or policy of the Stock Exchange. They have their origin in the efforts of the capitalist holders of the shares to squeeze the unwary public. I think however that such efforts have their limits both in extent of time and of shares and I foresee that in a reasonably short time the market will assume its normal conditions. The capitalists were supported in their efforts by the boom conditions and it is a matter of common knowledge that those conditions have nearly disappeared. It should also be remembered that simultaneously with speculation in shares an immense amount of speculation in Exchange, Cotton, Gold, Silver and numerous other commodities took place in the Bombay market, and it appears to me that the heavy speculation in shares was a part of the general condition of the market for that period. It would be interesting to know that the speculators had within their sphere even commodities like old Japanese Newspapers on account of the scarcity of paper.

25. A Bear raid is a mere matter of theory and in the

condition of the Bombay market a 'Bear' raid would require concerted action on the part of two or three hundred brokers whereas a Bull operation is generally in the hands of an individual or a syndicate and is always therefore premeditated and methodical and likely to be more effective. On the Bombay Stock Exchange the number of shares dealt in are limited in number and of fairly large denomination. The system of Company management by Agents, who in most cases were the original promoters of the Companies, has led to the result that the Agents' firm generally holds a sufficient number of shares to have a controlling interest in the Company. Individuals or syndicates have also become the holders of a majority of shares in certain Companies as a result of speculation or in the hope of securing the Agency commission. The existence of this element is frequently forgotten in the consideration of the question of how corners arise or how they can be combated.

26. On the 5th of March 1921 the Association adopted in present form Rule 26, 26 (k) and 26 (kh). It runs as follows :—

> (26). If the Board finds that something extraordinary has taken place with regard to the delivery of shares as well as with regard to the buying-in and selling-out of shares then the Board will take immediate measures suitable to the circumstances and all the members shall have to act accordingly.
>
> (26 k). If a single individual or syndicate of persons enter into sales and purchases of shares (in which forward dealings are allowed) beyond reasonable limits and that if under those circumstances the Board infers that there is going to be a corner in the shares of a particular Company or any other fraud connected with the dealing in the said shares the Board will intervene and fix such rates as they think proper for the said shares.
>
> (26 kh). If a corner is declared by the Board then if necessary applications for buying-in shares should be granted only after receipt of money in respect thereof.

27. That rule in its principle is as old as the year 1910 and was adopted with a view to combat the first corner of certain shares in the Bombay market.

28. Having regard to the considerations which have been placed before the Committee, I am of opinion that that rule should be altered as follows :—

> a. If a single individual or a syndicate of individuals enter into sales or purchases of shares (in which forward dealings are allowed) beyond reasonable limits and under such circumstances that the Committee considers that that there is going to be corner in the said shares or class of shares or that there is any fraud connected with the dealings in the said shares or class of shares, the Committee may suspend all future dealings in such shares or class of

shares for the then ensuing *vaida* and the next following *vaida*.

b. In the event of such suspension being declared the buying-in rule shall also be suspended as to all dealings prior to the said suspension in the said shares or class of shares, nor shall the Committee have a right to fix any rates as to the said shares or the class of shares.

c. The majority required for passing a resolution suspending dealings under the said rule should be two-thirds of the persons present at the meeting at which such decision may be arrived at. And the quorum for such a meeting shall be at least half the number of the total members of the Committee for the time being. The decision of the Committee so arrived at shall be final.

d. In the event of such suspension being declared the Committee at the proper time shall have the power to fix the making-up price for the purposes of the settlement and the clearing but such making-up price shall not in any manner affect the rights and obligations of parties in the matter of damages or otherwise as regards such dealings.

29. The evidence of Mr. N. M. Dumasia who holds a card of the Association is that Rule 26 should be abolished on the ground that it interferes with the freedom of contract. In the first place Mr. Dumasia has failed to observe that the Rule does not purport to affect the transactions which had taken place prior to the declaration of a corner. The justification of the abolition of Rule 26 is also sought to be supported (as would appear from the questions of the other members of the Committee put to several witnesses) by a suggestion that nobody has a right to sell what he does not possess and therefore cannot deliver. It sounds an excellent proposition on paper but when applied to a Stock Exchange it carries its absurdity on its own face, for it is impossible to suggest that business is done on any Stock Exchange by sellers who are the actual registered holders of the shares or their brokers and only to the extent of their actual holding. On the contrary according to the opinion of the majority of the Committee speculation is a necessary and useful element in the stimulation and growth of industrial enterprises and that it is the life of a Stock Exchange.

30. It appears to me that the rule in the terms I have suggested is a fair solution of all the difficulties which have been suggested and appeared at one stage to find favour even with the Majority of the Committee. I notice however that their final conclusion is a recommendation for the removal of the said rule.

31. It also appears to me that there is another reason in principle on which the existence of this rule can be supported. Though the Stock Exchange is not under an obligation to guarantee the fairness of the prices of any particular kind of stock or share, I am of opinion that the following principles should prevail on every Stock Exchange :—

1. Any security offered for sale shall be sold at the best possible price which any member of the Exchange is willing to pay at the time the offer is made, and conversely any purchaser of securities shall obtain them at the lowest price at which any one is willing to sell.
2. Every transaction shall represent a bona fide purchase and sale, this fact to be made manifest by the prompt publication of the transaction and reporting to the principals on both sides of the name of the broker on the other side.
3. Both sides of every transactions shall be responsible and good for their bargains. The moment there is the slightest doubt on this point, the facilities of the Exchange must be immediately withdrawn.

32. Mr. Cromwell, the President of the New York Stock Exchange for the year 1921-22, in his annual address states, inter alia as follows:—

> " The Stutz incident furnishes a good illustration of the importance of the power of the Governors to take summary action in either suspending trading or removing from the list a security which is dominated by one interest. When, as in the Stutz cases, the price is artificial, the Stock Exchange quotations are given wide currency to a lie. The continuation of the lie, which says in effect that concensus of opinion of the investing public was that the Stutz stock was worth $ 400 to $ 500 a share. When in fact it was actually worth according to the judgments registered in a free and open market, less than $ 100 a share, might have gone on indefinitely had the action of the Stock Exchange been hampered by official red tape."

33. It is not an uncommon thing to find that when the market is constantly being forced up small genuine investors are inclined to think without inside knowledge that the rise is genuine with the result that they enter into small transactions which feed to a large extent the speculation that has already been set on foot. But when the corner comes to an end either by its failure or by successful settlement at the instance of the Bull, the shares resume a normal value far below what the investor paid for it. Small investors of this kind are usually deceived by the conditions of the market and protection would be afforded to such small investors by the said Rule 26. The rule therefore is not against the interest of the investing public and it is a partial protection to them. This consideration is described in the Report as an ethical consideration under a misconception and I entirely disagree with the view that the cure for corners is the abolition of Rule 26.

34. I should further add that of the non-broker witnesses who have given evidence Mr. Gray, the Manager of the Bank of India, Mr. Manmohandas Ramji, a public man intimately connected with Mill industry, Mr. Mafatlal Gagalbhai and Rai Saheb Sangidas Jesiram are all of opinion that the rule is right in principle and should be maintained.

Mr. F. N. Annesley (one of the representatives of the Bombay Chamber of Commerce) states as follows in his written statement submitted to the Committee :—

> "I think a purely cash basis for business would prove unworkable. Forward business is not in itself objectionable on right lines. x x x The Committee of the Association should have power when they see transactions in any particular stock assuming undue proportions to veto further transactions for a time and call on parties for their statements but, I don't see why they should fix prices."

Mr. E. F. Groombridge in his evidence has said that corners are due to large holdings in the hands of a few capitalists and favours the existence of some power like that contained in Rule 26.

Mr. F. F. Stileman (representative of Bombay Mill-Owners' Association) considers that power to declare corners should be retained in the Rules of the Association but its exercise should be left to an independent Committee.

35. I have not considered it necessary to discuss several proposals made before us in the evidence relating to a super committee and other forms of outside control over the Association as everyone of them has been rejected even by the Majority.

36. The only other objection urged against the Rule is that in the application of the rule there is reason to believe that interested influences might prevail. That in my opinion is no ground for the abolition of the rule and the only evidence we have is not of any interested application but of an attempt on the part of a syndicate to prevent its application. I think there is no foundation for condemnation of the Association as a crowd of ignorant men without principle voting where their interest for the moment lies. It may be that a large number of members of the Association are not familiar with the English language, but I know that they are men with sufficient education for their own walk of life endowed with shrewdness and an honourable instinct and I should be the last person to lend my support either to a threat or a recommendation founded upon the belief or upon a suggestion that the trade morality prevailing on the Stock Exchange is in any manner inferior to the trade morality in any other trade in Bombay.

37. I should also like to call attention to the opinions of recognised economists on what a corner is, how it arises and the method of dealing with the same. Mr. Pratt, late Secretary of the Chamber of Commerce of the State of New York, defines a corner as follows :—

> " A corner is that condition of a stock in which the supply is held by one operator or a clique of operators and in which many have contracted to deliver to the operator or the clique what they can obtain only from the operator or the clique. All corners may be classified under one of two kinds :—
>
> 1. Those that are deliberately engineered for the purpose of

fleecing shorts by forcing them to settle at some abnormal price.

2. Those that have their origin under some pardonable circumstances such as a fight for the control and are not deliberately designed for the mulcting purposes.

While corners of the 2nd class are more to be condoned than those of the first, disastrous consequences may nevertheless be equally great. " Of course corners can be operated only because of the existence of a short interest in the market. In fact the term is simply an abbreviation of the more comprehensive expression of " corneting the shorts ". This situation is brought about by an operator or a pool of operators who succeed in obtaining possession of all or virtually all of the shares of a given issue of stock available for delivery purposes upon outstanding short sales.

Such short sales are first induced on a large scale by apparently unwarranted high prices or other methods, the purpose being to bring about a large volume of short sales with a view to making delivery in fulfilment of these sales impossible since the operator of the corner is in possession of all the stock and will refuse to sell except at his own price. Thus assuming the given issue of stock to comprise 2,00,000 lacs shares in which instance the operator of the corner may acquire all these shares and at the same time buy another 1,00,000 lac. shares from short sellers. In the meantime, however, while inducing short selling on the part of the unsuspecting public the true situation is kept extremely secret. Short sellers must depend of course upon a continuous market for the borrowing or purchasing of stock for the purpose of fulfilling delivery. To camouflage the situation the operator of the corner will, therefore, usually lend his own stock freely and on ordinary conditions. Through matched orders the operator being both buyer and seller, he will also produce the impression that there is a real continuous market in the stock.

When the time arrives for consummating his nefarious purpose, the operator will call in all the stock he has loaned to short sellers. Nor can any stock be purchased, because the operator is in possession of it all, and does not offer it for sale. The operator, in other words, possesses all the stock called for by the contracts made by the shorts, that is, " the shorts are cornered ". The remedy to relieve against the evil of corners is suspension of further dealings and it is the considered opinion of Mr. Meeker, Economist to the New York Stock Exchange, that " it is particularly necessary when the free and open market for security has been destroyed by the establishment of a corner in it, that for the protection of the public trading in it should quickly be halted on the Exchange." " In every such case, *viz.* the case of a corner, the interest of the Stock Exchange is identical with the interest of the public in maintaining on its floor a market for securities which shall at all times be free and open."

38. Rule 26, as I have drafted it, does not affect the transactions antecedent to the declaration of the corner and leaves the bull free to claim any damages which the Court should assess to be reasonable in the event of no settlement being arrived at, and by suspension of future dealings further mischief is averted Under the rule as it now stands it appears from the evidence of Mr. Mafatlal that after the prices were fixed there were no sales by the bears. I particularly mention this because that appears to be the apprehension of possible mischief when maximum prices used to be fixed in case of a bull corner under the present rule.

39. In the concluding portion of the Report it is stated that the Majority desire to impress upon the Government the necessity of prohibiting by legislative enactment all forward dealings in stocks and shares in the City of Bombay if the members of the Association reject the opportunity now afforded to them of introducing the necessary change in the policy and practice of the Association regarding corners. The only change that one can find in the Report is summarised in recommendation No 18, *viz.* the abolition of Rule 26, 26k and 26 kh It appears to me that the threat held out of prohibiting forward dealings is resorted to in the belief that the members of the Association would submit to the abolition of the said Rule 26 whether such abolition was right or wrong as otherwise it is supposed that their trade would stop with the prohibition of forward dealings. This is an unfounded belief, as some of the broker witnesses have stated that they would rather have no forward dealings than deal on the Stock Exchange without some such rule as Rule 26.

40 For the reasons I have stated above I am of opinion that the abolition of the said rule is not only unnecessary but such abolition is sure to result in trouble and mischief and that the rule as stated in para 27 of my report is the only real weapon against the raids by capitalist interests on the Stock Exchange. It is proved by the evidence recorded before us (and there is no evidence to the contrary) that the majority, if not all, of the corners in recent times were entirely due to capitalist interests attempting to squeeze the members of the Association or their unwary clients The sanction mentioned above is fortunately not attached to the remaining 19 recommendations of the Majority and indeed when they are read it would be ridiculous to suppose that any legislative interference could ever be justified for non-compliance with those recommendations.

41. I also wish to say that as a matter of principle interference by the State in trade like the share and stock brokers is undesirable if not improper. That opinion has been emphatically expressed before the Committee by Sir D. E Watcha, a gentleman of great civic reputation, having intimate knowledge of the economic condition of India and of

Bombay in particular. After a full criticism and fair recommendation the matter must be left to be adjusted by the demands of public opinion. The members of the Association, I believe realise that "the Stock Exchange cannot succeed and that it cannot be responsible to the public demands which are made upon it unless it lives up to the highest possible standard of its obligations to an enlightened public sentiment." I wish to add here that the Majority of the Committee have failed to profit by the lessons to be derived from the failure of the legislative act known as "Sir John Barnard's Act" in England and its ultimate repeal.

43. For the foregoing reasons I have the honour to recommend :—(1) that complaints of the public against the members of the Association should be investigated on the terms mentioned in paras 10 and 11 hereof; (2) that sub-brokers should be allowed to be employed under the restrictions mentioned in para 19 of this report. (3) That in in place of rule 26, 26k and 26kh the rule as stated in para 27 hereof should be substituted and (4) that at present no case has been made out for the necessity, propriety or utility of legislation for regulating business on the Stock Exchange in Bombay.

Having regard to the fairness of the attitude adopted by the Association in this enquiry, I have no doubt that the Association will at an early date give effect to the recommendations and views put forward by me in this Report. It is a matter of sincere regret to me that I have not been able to agree with the conclusions of the Majority of my colleagues on some of the most material points arising out of the enquiry. I have however the satisfaction of having done my duty in presenting my separate report as the Minority Report of the Committee.

(Sd.) BHULABHAI J. DESAI.

28th January, 1924.

The Kaiser-i-Hind Paper Printing Works, Old Sassoon Building, Fort, Bombay,

મી. ભુલાભાઇ જે. દેસાઇનો લઘુમતી રીપોર્ટ.

હું, નીચે સહી કરનાર, ભુલાભાઇ જે. દેસાઇ, સ્ટોક એકસચેંજ ઇન્કવાયરી કમીટીનો એક મેમ્બર નામદાર મુંબઇ ગવર્નર–ઇન–કાઉન્સીલને મારો રીપોર્ટ નીચે મુજબ રજુ કરવાની રજા લઉં છું:—

૧. મુંબઇની ધી નેટીવ શેર એન્ડ સ્ટોક બ્રોકર્સ એસોસીએશનનાં બંધારણ, વહીવટ, રૂઢીઓ, રીતરીવાજો, કાયદાઓ અને કામકાજની રીતભાતોમાં તપાસ કરવા માટે અને ઉપર કહેલી બાબતો પૈકી કોઇ પણ બાબતના સંબંધમાં, જાહેર મજાંની કોઇપણ એવી ફરીયાદોની શોધ કરવા અને એવી કોઇપણ તપાસ કરવા, અને તે પછી, કામકાજના સ્વાર્થી કે અનિયમિત અંકુશની સામે નાણું રોકનારી જાહેરપ્રજાને રક્ષણ આપવા માટે કમીટીને જેમ વ્યાજબી લાગે તેમ, સદરહુ એસોસીએશનના ભવિષ્યના બંધારણ, દેખરેખ, વહીવટ અને કારોબાર માટે એવી ચોકકસ દરખાસ્તો ઘડવા માટે, તા૦ ૧૪–૯–૧૯૨૩ ને દિને, મુંબઈની ધારા સભાએ પસાર કરેલા ઠરાવની રૂએ એક કમીટી નીમવામાં આવી હતી. સદરહુ તપાસ, તે કારણથી, ત્રણ ભાગમાં વહેંચાઈ:—(૧) એસોસીએશનનો અંદરનો વહીવટ અને તે સંબંધી કાયદાઓ અને રીતરીવાજો માટે, (૨) ઉપર કહેલા કાયદાઓ અને રીતરીવાજોના સંબંધમાં જાહેરપ્રજાના કોઇપણ માણસો તરફથી કરવામાં આવતી ફરીયાદોની તપાસ કરવા અને (૩) જો કમીટીને એમ જણાય કે એસોસીએશન પોતાના કાયદા અને રીતરીવાજથી, કામકાજના સ્વાર્થી અથવા અનિયમિત અંકુશ માટે ગુન્હેગાર છે તો સદરહુ એસોસીએશનના મેમ્બરો તરફથી મુકવામાં આવતા સદરહુ સ્વાર્થી કે અનિયમિત અંકુશ સામે નાણું રોકનારી જાહેરપ્રજાને રક્ષણ આપવા માટે ચોકકસ દરખાસ્તો રજુ કરવા.

૨. સને ૧૯૧૯--૧૯૨૨ ના વર્ષોમાં મુંબઇમાં જોઇન્ટ સ્ટોક કંપનીઓના શેરોમાં ચાલેલા ભારે સટ્ટાને લીધે, મુંબઇની ધારા સભામાં, મી. હવેલીવાલાએ તા૦ ૧૬–૧૦–૧૯૨૨ ને દિને સદરહુ ઠરાવ માટેની દરખાસ્ત રજુ કરી હતી.

મી. હવેલીવાલા કમીટી આગળ સાક્ષી તરીકે હાજર થયા હતા અને તેવણે નિખાલસપણે કબુલ કીધું હતું કે એસોસીએશનના કાયદાકાનુનો કે રીતરીવાજો વિષે અથવા તેવણે જે ખામીઓ બાબે ફરીયાદ કીધી હતી તે ખામીઓ માટે કયાંસુધી એવા કાયદાઓ અને રીવાજો જોખમદાર હતા તે વિષે તેવણ અંજાણ હતા. જયારે સદરહુ ઠરાવ કાઉન્સીલમાં દરખાસ્ત રૂપે રજુ કરવામાં આવ્યો ત્યારે કેટલીક અંજાણ ટીકાઓ કરવામાં આવી હતી પણ એટલું કબુલ કરવામાં આવ્યું હતું કે જે જે બાબતો માટે ફરીઆદો કરવામાં આવી હતી તેને માટે એસોસીએશન જવાબદાર છે કે કેમ તે કહેવાની સ્થિતિમાં તે વખતે કોઇ પણ માણસ ન હતો.

૩. ઉપર લખેલા વર્ષો દરમ્યાન ચાલેલો શેરબજારનો ભારે સટ્ટો, યુરપની મહાન્ લડાઇએ ઉત્પન્ન કીધેલા સંજોગોના હિન્દુસ્તાનમાં થયેલા બહોળા પરિણામનો એક ભાગ હતો એ એક સામાન્ય રીતે જાણીતી બીના છે અને આ કમીટી આગળ નોંધાયેલી જુબાનીએ પણ તે બીનાને ટેકો આપેલો છે. તે લડાઇ ચલાવવા માટે જોઇતી ચીજો સિવાય, બીજી કોઇપણ જાતની બનાવટની ચીજો થોડી મુદત માટે બનાવવાનું યુરપે બંધ કીધું હતું. અને આવી જાતની ચીજોને લગતી હિંદુસ્તાનની આયાત બંધ થવાની સાથેજ, સર્વે ઔદ્યોગિક (industrial) સાહસોમાં આબાદીનો વખત શરૂ થયો અને જાહેર મજાનું મન એટલું બધું ગુંથાયેલું રહેતું કે ઘણી થોડીજ દુરંદેશી વાપરવામાં આવતી હતી. જુદી જુદી જાતના ઔદ્યોગિક સાહસો માટે નવી કંપનીઓ ઉભી થઇ હતી અને તેને જોઇતી થાપણ કરતાં ઘણી વધારે થાપણો ઉભરાઇ હતી અને નવી ફેકટરીઓ માટે સાંચાઓ મળતા નહીં હોવાથી અને આ ફેકટરીઓની બનાવટની ચીજો ઘણા ઉંચા ભાવે વેચાતી હોવાથી એ બંને કારણોને લીધે ચાલુ કંપનીઓના શેરોના ભાવ વધવા પામ્યા હતા.

બીજા સાધારણ ધંધાઓમાં જોડાયેલા માણસોની મોટી સંખ્યા અવિચારીપણે માનતી હતી કે શેર બજારમાં સહેલાઇથી પૈસાદાર થવાય છે. અને તેવી માન્યતા રૂપી તાવ નરમ પડયા પછી, જયારે મંદી આવી અને નુકશાનીઓ ખમવી પડી, ત્યારે અસંતોષ થયો, કે જેને માટે, જવાબદાર માણસો સિવાયના બીજા માણસોનો વાંક કહાડવામાં આવ્યો.

નવી ઉભી કરવામાં આવેલી ઘણી કંપનીઓને પોતાનું કામકાજ શરૂ કરવું મુશ્કેલ લાગ્યું. સ્વદેશી લાગણીને લીધેજ, ચાલુ કંપનીઓ અને ખાસ કરીને વણાટને લગતી (textile) મીલો પોતાનો માલ વ્યાજબી ગણાતા નફાથી વેચતી અત્યારસુધી ચાલુ રહી.

૪. તોપણ મારા અભિપ્રાય પ્રમાણે હાલના બનાવો બતાવે છે કે અગાઉની સાધારણ સ્થિતિ પાછી આવશે. તેજીના સમયમાં સ્ટોક એકસચેંજમાં ભેગા થયેલા ઘણા ખરા લોકો પાછા પોતાની જુની સામાન્ય નોકરી અને ધંધામાં લાગી ગયા છે. બજારમાં આબાદી એટલી બધી હતી કે સને ૧૯૧૮માં ધી બોમ્બે સ્ટોક એકસચેંજ લી.ના નામથી એક નવી લીમીટેડ કંપની ઉભી કરવામાં આવી હતી.

તે બજારની જીંદગી તાવના જેવી ઉશ્કેરણીની બીમારીવાળી હતી. અને તેની અસર ઇલાકાના છેડાના ભાગો સુધી પહોંચી હતી પણ છેલ્લા થોડા વખતથી સદરહુ નવા શેરબજારમાં કંઇપણ કામકાજ કરવામાં આવતું નથી અને ખરૂં કહીએ તો, તે અત્યારે એક મરેલી સંસ્થા છે. તે શેરબજારનાં કામકાજના આંકડા ઉપરથી એજ અનુમાન થાય છે.

૫. બહુમતીના રીપોર્ટમાં લખવામાં આવ્યું છે કે મુંબઇના શેરબજારમાં કોરનરોને હંમેશના ચાલુ બનાવ તરીકે માનવામાં આવે છે. જો તેમ લખીને, એમ કહેવાનું ધારવામાં આવ્યું હોય કે તેજીના વખતમાં જેવો સટટો ચાલતો હતો તેના જેવોજ સટટો મુંબઇના શેરબજારમાં ચાલે છે તો તે ધારણા ભૂલભરેલી છે અને ખરા બનાવોથી ઉલટી છે. મારો અભિપ્રાય છે કે તેજીના વખતમાં નાશકારક સટટા માટે જેટલું ઓછું સંભળાતું હતું તેટલુંજ ઓછું મુંબઈના બજારના કોરનરો માટે થોડા વખતમાં સંભળાશે. જો કે જોસ ભરેલો સટટો ઓછો થવા આવ્યો છે તોપણ થોડો વખત હજી પણ કોરનરો થશે એમ માનવા માટે ઘણી સારી દલીલ છે. કારણ કે જે મુડીવાળા સ્વાર્થી શખસોએ અસાધારણ ઉંચા ભાવે જોઇન્ટ સ્ટોક કંપનીના શેરો ખરીદ્યા છે તે શખસો અંજાણ જાહેર પ્રજાને ચુસવાની કોશીષ કરીને (મંદીનો લાભ લઇને) પોતાની નુકશાની પાછી મેળવવા માટે કેટલાક વધુ પ્રયત્નો કરશે. તોપણ તેઓને તરતજ માલુમ પડશે કે વખત બદલાયો છે અને જે સ્થિતિ તેઓએ પોતે ઉભી કરી છે અથવા જે સ્થતિમાં પરાણે તેઓને ઘસડવામાં આવ્યા છે તે સ્થિતિને તેઓએ અનુકુળ થઇને વર્તવું જોઇશે. શેરબજારમાં અગાઉની સામાન્ય સ્થિતિ તરતજ પાછી આવશે એમ માનવાને કારણ છે અથવા એવો આધાર રાખવા માટે દરેક ચિન્હ દેખાય છે.

૬. સાક્ષીઓનું સાંભળતી વખતે એમ સ્વીકારવામાં આવ્યું હતું કે સટટો શેર બજારની નિયમિત જીંદગીનો એક ભાગ છે અને કમીટીની બહુમતી એવા અભિપ્રાયની હતી કે સટટા વગર શેર બજાર ચાલી શકેજ નહીં.

આર્થિક અથવા નૈતિક (economic or ethical) દલીલોથી જો સટ્ટો અથવા વાયદાનો ધંધો તદ્દન બંધ કરવાનું યોગ્ય ધારવામાં આવતું હોય, તો એસોસીએશનનાં કાયદાઓ કે રીવાજોએ ક્યાંસુધી નાશકારક સટટો ઉભો કર્યો તે સવાલ સાથે આવી દલીલોના વિચારોને કંઇ સંબંધ નથી. એસોસીએશનના કાયદાઓ અને રીવાજોમાં એવું કંઇ નથી કે જેમાંથી, આવી સ્થિતિ ઉભી થઇ છે એવું પુરવાર કરવામાં આવ્યું હોય. પોતેજ પોતાની પાયમાલી લાવનારા, નાશીપાસ થયેલા સટોડીઆઓએ બુમરાણ કરી મુકી છે, તે બનાવનો મતલબીઆ મુડીવાળાઓએ લાભ લીધો છે અને ફ્તેહમંદ કોરનરોમાંથી, પોતાની જંગી આશાઓ મુજબ પૈસા મેળવવાનું નહીં બની શકવાથી થયેલી પોતાની નિરાશાને લીધે, એસોસીએશન સામેની તેઓની બીનપાયાદાર ફરીયાદોને ટેકો આપવા આવી સ્થિતિનો તે મતલબીઆ મુડીવાળાઓએ ઉપયોગ કીધો છે. એટલું જણાવવાનું અર્થસૂચક છે કે શેર બજારની તેજીમાં સીધો કે આડકતરો સ્વાર્થ ધરાવનારા અને કમીટી આગળ સાક્ષી આપનારાઓએ કહ્યું છે કે ૨૬મી કલમ તરીકે જાણીતી, કોરનરો સામેની કલમની હયાતી અને તેને અમલમાં મુકવા શિવાય એસોસીએશન સામે તેઓની એક ફરીયાદ નથી. અને એવા સાક્ષીઓ પૈકીના એકે જણાવ્યું હતું કે જો સદરહુ કલમ કાઢી નાખવામાં આવે તો એસોસીએશન વિરૂધ્ધ એને કંઇ ફરીયાદ કરવાની નથી. બીજા શબ્દોમાં કહીએતો, પોતાની ખરાબી પોતાના હાથે કરનારા સટોડીઆઓની ફરીયાદ બીલકુલ ઉડી જાય છે અને તેજીવાળા પક્ષની ફરીયાદ માત્ર ૨૬ મી કલમની હયાતી અને તેના અમલને અંગેજ રહે છે. જયારે આવી રીતે તે બાબતની બારીક રીતે તપાસ કરવામાં આવે તો એ સ્પષ્ટ રીતે જણાય છે કે એસોસીએશન તરફથી કામકાજ ઉપર કંઇપણ એવો સ્વાર્થી કે અનિયમિત અંકુશ મુકવામાં આવ્યો નથી—

કે જે અંકુશમાંથી નાણું રોકનારી પ્રજાને બચાવવાની જરૂર હોય. કોઇપણ બજારમાં કોરનરો એક ચોકકસ બદી છે એવા કમીટીના બહુમતીના મત સાથે હું મળતો થઉં છું પણ કોરનરો સામે લડવા માટે એસોસીએશને શોધી કાઢેલા ઇલાજે કોરનરો વધતા અટકાવવાને બદલે કોરનરોને ઉત્તેજન આપ્યું છે એવા સદરહુ બહુમતીના છેવટના ઠરાવથી હું માનપૂર્વક અને તદ્દન જુદો પડું છું. ૨૬મી કલમની રૂએ એસોસીએશન તરફથી કરવામાં આવેલો અમલ બજારનાં સ્વતંત્ર વેપારના (free trading) પ્રવાહની વચમાં આવનાર છે અથવા તો તે એસોસીએશનના કામકાજનાં ગુંચવાડાનું મુળ છે એવા કમીટીના મતથી પણ હું જુદો પડું છું. મારા અભિપ્રાય મુજબ, જયારે બજાર એક શખસ કે સીન્ડીકેટના હાથમાં એકજ સ્વાર્થ તળે દબાયેલું હોય ત્યારે બજારમાં સ્વતંત્ર વેપારને કેટલેક અંશે સજીવન કરવાનો પ્રયત્ન—તેજ ૨૬મી કલમનો અમલ છે. જો તેજીવાળાઓની ચળવળને અંકુશમાં લાવવા પ્રયત્ન કરવામાં આવે તો, સ્વતંત્ર વેપારની વચમાં આવવા જેવું છે એમ જો તેજીવાળાઓ તરફથી કહેવામાં આવે તો તે એક ફોકટ બહાનું છે.

૭. ૨૬મી કલમની હયાતી સામે અને તેના અમલ સામે તેજીવાળાની ફરીયાદના ખરાપણા ઉપર મજબુતમાં મજબુત ટીકા એ છે કે ૨૬મી કલમ હોવા છતાં, અને તેનો અમલ કરવામાં આવશે તે જાણવા છતાં, જોસથી વેપાર ખેડવાનું અને કોરનરો કરવાનું તેઓએ ચાલુ રાખ્યું છે. જેટલો દેખાવ કરવામાં આવે છે તેનાથી તે કલમ અડધી પણ દુષ્ટ હોય તો, એસોસીએશન મારફતે કંઇપણ કામકાજ કરવાની ના પાડીને તેજીવાળાઓએ સહેલાઇથી તે બાબતનો છેડો લાવવા ગુંચવાડો ઉભો કર્યો હતે. મંદીવાળાઓ કંઇ પોતે પોતાનેજ શેરો વેચી શકતા નથી અને તેટલા માટે તેમજ એ તો સંપુર્ણ રીતે સ્પષ્ટ છે કે શેર દલાલોનો મોટો ભાગ મંદીવાળાઓનો છે એમ આખી તપાસ દરમિયાન તેજીવાળાઓ તરફથી કહેવામાં આવ્યું છે તેથી, જો તે કલમ ખરેખર વાંધાવાળી હતે, તો કામકાજ કરવાની ના પાડીને તેજીવાળાઓએ તે કલમને રદ કરાવી હતે.

૮. કમીટી તરફથી લેવામાં આવેલી નોંધાયેલી સાક્ષી ઉપરથી એમપણ જણાય છે કે એસોસીએશન મારફતે જો કે પુષ્કળ સટ્ટો ખેલવામાં આવ્યો હતો તો પણ ઘણી નજીવી રકમ શિવાય, એશોસીએશનના મેમ્બરોએ તેઓના ઘરાકોનું લેણું પુરેપુરૂં વસુલ આપ્યું હતું અને માત્ર સ્ટોક એકસચેંજનાં એકજ મેમ્બરે દગાનો ગુન્હો કર્યો હતો અને મુંબઇથી નાશી ગયો હતો.

૯. બહુમતીએ ઇરાદો રાખ્યો છે કે આ રીપોર્ટથી કયો માર્ગ લેવો તે એસોસીએશનને જણાશે અને જો તે દેખાડેલો માર્ગ એસોસીએશન નહીં સ્વીકારે તો સ્ટોક અને શેરનું બધું વાયદાનું કામકાજ બંધ કરીને સરકાર વચમાં પડશે અથવા સરકારે વચમાં પડવું જોઇએ—આવી જાતની સુચના કરવી તે હું ધારૂંછું કે, એક અર્થવગરની નકામી ધમકી છે. સરકારના આવી રીતે વચમાં પડવાથી સામાન્ય પ્રજાનું હિત સચવાશે એમ ધારવું પણ તેટલુંજ ભૂલ ભરેલું છે. અને જો એસોશીએશન તેમ નહીં કરશે તો તેના મેમ્બરોનો રોટલો ટળી જશે એમ એસોસીએશનને કહેવાથી આ કલમ સંબંધી ભલામણો સ્વીકારવા માટે એસોસીએશનને દબાણ કરવામાં કમીટીની બહુમતી ફતેહમંદ થશે એવી આશા રાખવી પણ તેટલીજ વ્યર્થ છે.

૧૦. એસોસીએશનના ઇતિહાસમાં ઉતરવાની મને જરૂર જણાતી નથી. આ મંડળી એક જુની, મજબુત પાયાની સંસ્થા છે અને જોકે તેનું રીતસરનું બંધારણ તા. ૩૧ ડીસેમ્બર ૧૮૮૭ ને દિને થયું છે તોપણ તે તારીખની પણ ઘણા વર્ષો અગાઉ તે મંડળીની હયાતી હતી એમ તપાસ કરતાં માલુમ પડે છે. એસોસીએશનના હેતુઓ અને ઉદ્દેશો જાહેરપ્રજાનું રક્ષણ કરવું એમ કંઇપણ બતાવતા નથી એ બીના ઉપર, મારા મત મુજબ, ઘણો ગેરવ્યાજબી ભાર મુકવામાં આવે છે. આ રીતે કહેવું તે ખોટા ખ્યાલ ઉપર રચાયેલું છે. જો દલાલો એક મંડળી ઉભી કરે, તો તેના ઉદ્દેશો (objects) મુખ્યતાથી તેઓને પોતાનેજ લગતા હોય, પણ જયારે એસોસીએશનનો એક ઉદ્દેશ "આબરૂદાર રીતે ધંધો કરવાને ઉત્તેજન આપવું" એ છે તો જેઓ દલાલો મારફતે કામ લે તેઓ એટલે કે સટ્ટો કરનારી કે નાણું રોકનારી પ્રજાની તરફની આબરૂદાર રીતે વર્તવાને એસોસીએશન બંધાયેલી છે એમ ન્યાયપૂર્વક માની શકાય. એસોસીએશને આજસુધી કોઇપણ દલાલની સામે કોઇપણ ઘરાકની ફરીયાદ સાંભળવાનું માથે લીધું નથી તેનું એકજ કારણ છે કે જો તે ઘરાક એસોસીએશનના ઠરાવને માન્ય કરવા તૈયાર ન થાય તો આવી તપાસ કરવી તદ્દન નકામી છે અને મારો એવો અભિપ્રાય છે કે ધી લંડન સ્ટોક એકસચેંજના

કાયદા કાનુનોની ૭૭ મી કલમ અનુસાર જો એક કલમ સ્વીકારવામાં આવે તો મને ખાત્રી છે કે એસોસીએશન જરૂર આવી ફરીઆદોની નોંધ લેશે અને સાંભળશે. સદરહુ કલમ અને લવાદીની કબુલાત (Agreement of Reference) નું ફારમ હવે પછીના પેરિગ્રાફમાં આપવામાં આવ્યા છે.

રૂલ નં. ૭૭

૧૧. જો એક નોન-મેમ્બર એક મેમ્બર સામે કંઇ પણ દાવો કે ફરીઆદ કરે તો, આવો દાવો કે ફરીઆદ તેઓની સુનાવણી માટે યોગ્ય છે કે કેમ તે કમીટી પ્રથમ વિચારશે અને તે સુનાવણી માટે યોગ્ય છે, એમ જો કમીટી ઠરાવ કરે તો, કમીટી સદરહું કેસ સાંભળે તે પહેલાં પુરવણીમાં આપવામાં આવેલા લવાદી (Reference) ફારમ નં. ૩૧ ભરી, સદરહુ નોન-મેમ્બરે તે ઉપર પોતાની સહી મુકવી જોઇશે.

ફારમ.

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૧૨. મેમ્બર તરીકે દાખલ કરવાના સંબંધમાં, એ બાબતને લગતી કલમ એવી રીતે ફેરવવામાં આવી છે કે જેથી મુંબઇ ઇલાકામાં, દશ વરસના વસવાટની લાયકાતને આધીન રહીને કોઇપણ બ્રીટીશ પ્રજાનો શખસ મેમ્બર તરીકે દાખલ થઇ શકે. બહુમતીના રીપોર્ટમાં એવી ભલામણ કરવામાં આવી છે કે એસોસીએશનનું નામ "સીટી ઓફ બોમ્બે સ્ટોક એકસચેંજ" હોવું જોઇએ. તે સુચવેલા સુધારા સામે મને કંઇ વાંધો નથી પણ તે મને કંઇપણ અર્થવાળી કે અગત્યની બાબત જણાતી નથી. કોઇપણ બ્રીટીશ પ્રજા હવે તેમાં દાખલ થઈ શકે તેમ હોવા છતાં ચાલતા આવેલા જુના નામથીજ આપણે ઓળખાવાનું ચાલું રહેવું જોઇએ એવી ઇચ્છા હાલના મેમ્બરોએ શા માટે ન રાખવી એવું કંઇ પણ કારણ નથી.

૧૩. પોતાના ઘરાકોનું લેણું જે રીતે એસોસીએશનના મેમ્બરોએ ભરપાઇ કીધું છે એ વિષે મેં જે કહ્યું છે તે ધ્યાનમાં લેતાં, દાખલ કરવા પહેલાં, ઉમેદવારની સ્થિતિ અને લાયકાત વિષે જે રીતે તપાસ કરવામાં આવે છે, તેને લગતા સુધારાઓ સુચવવા તદ્દન બીનજરૂરી છે.

એસોસીએશનના મેમ્બરે કોઇપણ બીજો ધંધો ન કરવો એમ આગ્રહ કરવો પણ શકય નથી. જેઓ શેર દલાલીનોજ એકલો અથવા મુખ્ય ધંધો કરતા હોય તેજ બને ત્યાં-સુધી મેમ્બરો થવા જોઇએ, એ મતમાં કમીટીની બહુમતી સાથે હું મળતો થાઉં છું.

૧૪. વાર્ષિક લવાજમની રકમ વ્યાજબી રીતે વધારવી જોઇએ એવી સદરહુ બહુમતીની ભલામણ સાથે પણ હું મળતો થાઉં છું. અને તેથી એસોસીએશન પાસે એક લાયક કારોબારી સ્ટાફ હોવો જોઇએ એમ હું ઇચ્છતો હોવાથી, ખાસ કરીને ચાલુ ખર્ચ માટે વધારે નાણું મેળવવાની સ્થિતિમાં એસોસીએશન આવી શકે.

૧૫. એસોસીએશનનાં કામકાજનો અંદરનો વહીવટ, પ્રેસીડન્ટ અને બીજા અમલદારોની સત્તા અને ફરજો, કારોબારી કમીટી, વારંવાર નીમવામાં આવતી સબ-કમીટીઓ અને જનરલ બોડી,—એને લગતા નીયમોના સંબંધમાં, એસોસીએશને તૈયાર કરેલા ડ્રાફ્ટ નીયમો મેં તપાસ્યા છે અને આ રીપોર્ટમાં મેં જે ફેરફારો સુચવ્યા છે તે ધ્યાનમાં લઇ જો તે નીયમો પસાર કરવામાં આવશે તો હું ધારૂં છું કે પછી તે બાબે કંઇ કહેવા જેવું રહેશે નહીં. કાયદા-કાનુનો પ્રસિદ્ધ કરવા અને તેને સંપૂર્ણ રાખવા, એસોસીએશનના મેમ્બરોનું લીસ્ટ પ્રસિદ્ધ કરવું અને આવી જાતની બીજી બાબતો સાથેનું એસોસીએશનનું કારોબારને લગતું ચાલુ કામકાજ આજ સુધીમાં જેમ થતું આવ્યું છે તેના કરતાં વધારે નિયમિત રીતે અને વધારે પધ્ધતિસર થવું જોઇએ એવો મારો મત છે.

૧૬. મેમ્બરો અને તેમના માન્ય કરવામાં આવેલા કારકુનો સિવાયના બીજા માણસો એસોસીએશનનાં મકાનનો ઉપયોગ કરે છે તે બાબેનો પ્રશ્ન સિધ્ધાંતના કરતાં સગવડને લગતો છે પણ જો સોદા કરવા માટે નકકી કરવામાં આવેલી ખાસ જગ્યામાં બહારનાને દાખલ કરીને એસોસીએશન પોતાના કામકાજમાં કંઇ પણ ગુંચવાડો ઉભો થવા નહીં દેશે તો એસોસીએશન માટે સારૂં છે.

૧૭. દલાલ સિવાયના ઘણા સાક્ષીઓની જુબાનીમાં, વારંવાર કરવામાં આવતી કદાચ એકલી ફરીયાદ, (જો તેને ફરીઆદ કહેવામાં આવે તો), હદ ઉપરાંત વધારે દિવસ-

સોદા માટે એકસચેંજ બંધ રાખવા સંબંધી છે. લોકો જે કામ કરવા ઇચ્છતાં ન હોય તે કામ તેઓની પાસે ફરજયાત કરાવવું જો કે ઐચ્છિક (voluntary) ધંધામાં શકય નથી તોપણ હું ધારૂં છું કે એસોસીએશને જાહેર પ્રજાની આ ઇચ્છા પ્રમાણે ચાલવું જોઇએ અને એકસચેંજ બંધ કરવાના દિવસોની સંખ્યા ઓછી કરવી જોઇએ. પ્રથમ ઓછા તહેવારો પાળીને અને બીજી રીતે–હાલના કરતાં કલીઅરીંગનું કામકાજ વધારે ટુંકા વખતમાં પતાવીને–એમ બે રીતે બંધના દિવસો ઓછા કરી શકાય.

૧૮. મુંબઇના બજારમાં જોબરો અને દલાલો એમ ચોખ્ખા વિભાગો પાડવાનું શકય નથી એમ સામાન્ય રીતે કબુલ રાખવામાં આવ્યું છે. કમીટી આગળ નોંધવામાં આવેલી જુબાની ઉપરથી એમ પણ જણાય છે કે, એકદમ ઘણુજ નહીં તો, ઘણા દલાલો અમુક હદ સુધી પોતાને હીસાબેજ કામકાજ કરે છે. જયારે ધરાક અને દલાલ વચ્ચેના ઝઘડાઓ કોર્ટ દરબારે જાય છે, ત્યારે એજન્ટને લાગુ થતા સઘળા કાયદેસર દાવાઓ અને અપાત્રતાઓ (disqualifications) નો નામદાર કોરટોએ દલાલો સામે અમલ કર્યો છે. તોપણ પોતાના ધરાકને (principal) જાણ કરીને પોતાની એજન્સીની બાબતમાં ધંધો કરવાને કાયદો એજન્ટને રજા આપે છે અને સર્વે વાંધાઓ અને મુશ્કેલીઓ દૂર કરવા માટે, હું એવા મતનો છું કે, ધરાકના એજન્ટ તરીકે કામકાજ કર્યું હોય કે પોતાના હીસાબે કામકાજ કર્યું હોય તે મુજબ દરેક દલાલ માટે બે જાતના કંટ્રાકટના ફારમ માન્ય કરવા જોઇએ. હું એમ પણ અભિપ્રાય રાખું-છું કે દરેક દાખલામાં દરેક દલાલે આવા ફારમો મુજબ એક લેખીત કંટ્રાકટ ઘડી કાઢવું જોઇએ અને પોતાના ધરાકને પહોંચાડવું જોઇએ અને તેથી જાહેરપ્રજાનું હિત સચવાશે. નોંધાયેલી જુબાની ઉપરથી દલાલીના વ્યાજબી ધોરણ માટે, હું ચોકકસ વિચાર ઉપર આવી શકયો નથી. લંડન સ્ટોક એકસચેંજના કાયદામાં જે મીનીમમ (ઓછામાં ઓછી) દલાલીનો આગ્રહ કરવામાં આવ્યો છે તેનો ઇરાદો, બીજાના ભોગે એક દલાલ છાની રીતે કાપકુપ કરે તે સામે અટકાયત તરીકે જેટલો છે તેટલો ધરાકના રક્ષણ તરીકે નથી. તોપણ જો આવો એક મીનીમમ દર (scale) નકકી કરવામાં આવે તો જુદીજ ગોઠવણના અભાવે, આવા મીનીમમ દરથી ધરાકે દલાલી આપવીજ જોઇશે એવો કાયદો કરવો ઇચ્છવા જોગ છે.

૧૯. સબ–બ્રોકરો એટલે દલાલીમાં ભાગ મળે તેના બદલામાં બીઝનેસ કેનવાસ કરનારા શખસો રાખવાના સંબંધમાં હું નથી ધારતો કે આ જાતના કોઇબી ધંધામાં કેનવાસીંગ કરવાનું કામ ફત્તેહમંદીથી અંકુશમાં મુકી શકાય. અને તે સાથેજ એવા કાયદાઓ ઘડવાનું સલાહકારક છે કે જેથી એક દલાલ તરફથી એવી રીતે રોકવામાં આવેલા શખસો બીજા મેમ્બરોની સારી રીતે જાણમાં રહે અને જાણે કે પોતે સર્ટીફાઇડ દલાલ છે તેવી રીતે પોતાને હીસાબે ધંધો કરવાનો ઇરાદો એવા માણસને ન થાય.

૨૦. એસોસીએશનનો એક રીવાજ એવો છે કે જેનાથી શેર સર્ટીફીકેટો અને બરાબર સહી થયેલું અને ખરીદનારનું નામ બ્લેન્ક રાખેલું ટ્રાનસફર ફારમ, પોતાનો કંટ્રાકટ પાળવા માટે શેર વેચનારે પોતાના દલાલને આપવાં જોઇએ. આ રીવાજ સામે વાંધો લેવામાં આવે છે. જો જોબરો ન હોય તો, મને લાગે છે કે તે એકજ રસ્તો છે કે જેનાથી વેચનારે પોતાનો કંટ્રાકટ પાળી શકે અથવા વેચનાર પાસેથી કંટ્રાકટ પળાવી શકાય. 'સ્કીનર વિરૂદ્ધ સીટી ઓફ લન્ડન મરીન ઇન્સુરન્સ કંપની લી૦ (૧૪, કવીન્સ બેન્ચ ડીવીઝન પા. ૮૮૨) ના કેસમાં, માસ્ટર ઓફ રોલ્સ, બ્રેટ શેર વેચનારની જોખમદારીઓ નીચે મુજબ નકકી કરેલી છેઃ–'શેરના વેચાણના સોદા માટે એકજ કંટ્રાકટ (સરત) છે કે આવા શેરોના સંબંધમાં પોતાનું નામ શેરહોલ્ડર તરીકે કંપની નોંધે એવી કંપનીને ફરજ પાડવા માટે શેર નામે ચડાવનારને શકિતમાન કરવા માટે જે જરૂરી હોય તે બધું શેર વેચનારે કરવું જોઇએ, એટલે કે, વેચનારે શેરોનું કાયદેસર રીતે ખરૂં (valid) ટ્રાન્સફર સહી કરી આપવું જોઇએ અને શેર નામે ચડાવનારને આપવું જોઇએ.

આવા સંજોગોમાં, જયારે ખરીદનારને એક બ્લેન્ક ટ્રાન્સફર સોંપવામાં આવે છે ત્યારે તે બ્લેન્ક ફારમ ભરવાની સત્તા તેને પ્રાપ્ત થાય છે. લંડન સ્ટોક એકસચેંજમાં, જોબરો અને દલાલો એવા બે વિભાગ હોવાથી, અને સ્ટોક એકસચેંજ પોતેજ કલીઅરીંગનું કામ કરતી હોવાથી, એમ જણાય છે કે ખરીદનારના હાથમાં ટ્રાન્સફરો આવે તે પહેલાં બ્લેન્ક ટ્રાન્સફરો ભરી દેવામાં આવે છે. મુંબઇમાં પુરેપુરાં ભરેલાં ટ્રાન્સફર માટે જે દબાણ કરવામાં આવે છે તેમાં

અસંખ્ય મુશ્કેલીઓ છે એમ અમારી આગળ નોંધાયેલી જુબાની બતાવી આપે છે. મુંબઇમાં ચાલતા રીવાજનું પરિણામ અલબત એ છે કે જયાંસુધી ખરીદનાર કે તેનોજ હક ભોગવનાર (successor) કંપનીના રજીસ્ટરમાં બરાબર નોંધાય નહીં ત્યાંસુધી, પોતાની અને કંપની વચ્ચે જેમ હોય તેમ શેર વેચનાર તે શેર સંબંધમાં જુમ્મેદાર રહે છે. પુરેપુરા ભરાયેલા શેરોના દાખલામાં તો આ બીના ઘણી અગત્યની નથી પણ જે શેરના નાણાં પુરેપુરા ભરાયા ન હોય અને જો તેવા શેર વેચાતા હોય તો તે ઘણી અગત્યની બાબત છે અને હું એમ ધારવાને દોરાઉં છું કે ટ્રાન્સફર આપ્યાની તારીખથી અમુક ચોકકસ વખત સુધી ટ્રાન્સફર બ્લેન્ક હોય તોજ તે રીતસરનું છે એમ પરવાનગી આપવાથીજ જે જે મુશ્કેલીઓ બતાવવામાં આવી છે તે દૂર થાય. તોપણ એ કહેવું જોઇએ કે, બ્લેન્ક ટ્રાન્સફર ભરવામાં આવે તે ઉપરથી એમ સિધ્ધ થતું નથી કે શેર નામે ચડાવનાર, આવી રીતે બ્લેન્ક ટ્રાન્સફર ભર્યાં પછી પોતાનું નામ ચોકકસ રજીસ્ટર કરાવશેજ. તે સાથેજ એ નકકી છે કે જો આવા શેર નામે ચડાવનાર કે જેનું નામ ભરવામાં આવ્યું છે તે સદરહુ શેર વેચી નાખવા ઇચ્છે તો પોતાનું નામ રજીસ્ટર્ડ થાય નહીં ત્યાંસુધી તે કાયદેસર રીતે ખરૂં ટ્રાન્સફર આપી શકે નહીં અને આવી આડકતરી રીતે, બ્લેન્ક ટ્રાન્સફર આપનાર, મૂળ વેચનાર કંપનીના રજીસ્ટરમાં successorનું નામ નોંધાવવામાં ફતેહમંદ નીવડે. બ્લેન્ક ટ્રાન્સફરો સ્વીકારવાના પરિણામે, પોતાનું નામ રજીસ્ટર્ડ કરાવ્યાં શિવાય તે શેરો વેચી નાંખીશું એવી આશાએ પોતાના નામ રજીસ્ટર્ડ કરાવવામાં, ખરીદનારાઓ મોટી છુટછાટ લે છે અને બેદરકારી કરે છે. તો પણ એટલું બતાવવું જોઇએ કે આર. ડી. શેઠના વિરૂધ્ધ ધી નેશનલ બેન્ક ઓફ ઇન્ડીઆ (જુઓ ઇન્ડીઅન લૉરીપોર્ટસ ૩૬ મુંબઇ પાનું ૩૩૪) ના કેસમાં બન્યું તેમ, એક ખરીદનાર કે ગીરો રાખનાર, પોતાનું નામ રજીસ્ટર્ડ નહીં કરાવવાની ભુલ કરવાથી પોતાના કરતાં આગળના હક ઇલાકાઓ વધી જાય એવી જાતના ગંભીર જોખમો પણ ખેડે છે.

૨૧. મુંબઇના બજારમાં જે કોરનરો થયાં છે તે બાબે અને તેનાં મુળ કારણો અને એવા બનાવોને પહોંચી વળવાના ઉપાયો બાબેનો સવાલ હવે હું હાથ ધરીશ. કોરનરોના વારંવાર બનાવો બજારની તંદુરસ્તીની નીશાની નથી એવો મારો મત છે પણ ખરો પ્રશ્ન એ છે કે એસોસોએશનનું ધોરણ અને રીતરીવાજ આવા બનાવોનાં કારણો છે કે ? અને જો હોય તો કેટલી હદ સુધી ? અમારી આગળ નોંધાયેલી સાક્ષીની ઘટતી અને સંભાળ ભરેલી પરીક્ષા વગર આ બાબત રીપોર્ટમાં ચર્ચવામાં આવી છે. અને હું માનપુર્વક જણાવવાની હીંમત કરૂં છું કે આ ગુંચવાડા ભરેલા પ્રશ્ન ઉપર કમીટીના ઠરાવો મોઘમ રીતે ઉપજાવી કાઢવામાં આવેલા ધોરણ (vague generalisations) ઉપર આધાર રાખી કરવામાં આવ્યા છે.

૨૨. કામકાજ કરતા ચૈાદ દલાલોથી વધારે દલાલોએ અમારી આગળ જુબાની આપી છે. જુબાની ઉપરથી એમ જણાય છે કે, ૧૯૧૯ ના અકટોબરમાં માધવસી ધરમસી મેન્યુફેકચરીંગ કંપની લીમીટેડના શેરોમાં કોરનર થયેલું જાહેર કરવામાં આવ્યું હતું. સને ૧૯૨૧ નાં ફેબ્રુવારીમાં ફાઝલભાઇ મીલના શેરોમાં કોરનર થયેલું જાહેર કરવામાં આવ્યું હતું, સને ૧૯૨૧ના જુલાઇમાં કરીમભાઈ મીલના શેરોમાં કોરનર જેવી સ્થિતિ ઉભી થઇ હતી, સને ૧૯૨૨ ના જાનેવારીમાં ફીનલે મીલમાં શેરોમાં કોરનર થયેલું જાહેર કરવામાં આવ્યું હતું, તેજ વરસમાં નાગપુર, સ્વદેશી, કરીમ અને ડેવીડ મીલના શેરોમાં કોરનર કરવાના પ્રયત્નો કરવામાં આવ્યા હતા. અને સને ૧૯૨૩ માં કોહીનુર મીલ અને ધી ન્યુ ગ્રેટ ઇસ્ટર્ન સ્પી૦ અને વી૦ કં૦ લી૦ ના શેરોમાં કોરનર કે કોરનર જેવું થયેલું છે એવું જાહેર કરવામાં આવ્યું હતું. મફતલાલ ગગલભાઇ અને રાય સાહેબ સાંગીદાસ જેસીરામે પણ જુબાની આપી છે. નાગપુર, સ્વદેશી, કરીમ અને ડેવીડ મીલોના શેરોના કોરનર કરવામાં જે સીન્ડીકેટ નિષ્ફળ નીવડી તેની સાથે રાય સાહેબ સાંગીદાસ જેસીરામને સંબંધ હતો. જયારે સ્ટાન્ડર્ડ અને કોહીનુર મીલોના શેરોના કોરનર કરવામાં મફતલાલ ગગલભાઇ ફતેહમંદ થયા હતા. દલાલ સાક્ષીઓ પૈકી, એસોસીએશનના હાલના પ્રેસીડન્ટ મી૦ [illegible] મી૦ જમનાદાસ મોરારજી, મી૦ જગજીવન ઉજમશી, મી૦ ફીરોજ જહાંગીર અને મી૦ ડી. ડી. કાંગાની જુબાનીઓ ઘણી કીમતી છે. મી૦ જગજીવન ઉજમસીએ સ્પષ્ટ રીતે બતાવી આપ્યું હતું કે મંદીવાળાઓને ચુસવાના હેતુવાળા શખસો કે સીનડીકેટોજ છેલ્લા મુખ્ય કોરનરો બજારમાં મોટે ભાગે પરાણે લાવ્યા હતા. કોરનર જાહેર કરવા અને ભાવ બાંધવાના સંબંધમાં, એક ચોકકસ સીન્ડીકેટે એસોસીએશનની કમીટી ઉપર જે વગ લગાડવા પ્રયત્ન કર્યો

હતો તે વગ બાબત મી૦ જગજીવન ઉજમશીએ કહ્યું હતું. કમીટીએ તે જુબાની ખરી છે એમ માન્યું છે, અને જુબાનીના તે ભાગ ઉપર ટીકા કરવાની હું ઇચ્છા રાખતો નથી; કારણ કે કમીટી ગમે તેટલી કલંક રહિત હોય તોપણ તેઓના નિર્ણયમાં તેઓને લાગવગ પહોંચાડવાનો જે પ્રયત્ન કરવામાં આવે તે પ્રયત્ન તેઓ અટકાવી શકેજ નહીં. તેની જુબાની ઉપરથી વધુ જણાય છે કે સને ૧૯૨૧—૨૨ ના સારા વખતમાં એક ચોકકસ સીન્ડીકેટે ભારે પ્રમાણમાં સટ્ટો શરૂ કર્યો હતો અને તેણે ૮ કે ૯ કરોડના ઘણી જાતના શેરો ખરીદ્યા હતા. રાય સાહેબ સાંગીદાસ જેસીરામ પાછળથી આ સીન્ડીકેટ સાથે જોડાયા હતા. મી. જમનાદાસ મોરારજીની જુબાની ઉપરથી વધુ જણાય છે કે કરીમ, ડેવીડ, ફાઝલ, અને ફીનલે મીલ્લોના શેરોના કોરનરો અને નાગપુર અને સ્વદેશીના શેરોમાં કોરનર કરવાના પ્રયત્નો મોટે ભાગે આ સીન્ડીકેટના કામકાજનુંજ પરિણામ છે. અમારી આગળ નોંધાયેલી જુબાની ઉપરથી એમ પણ જણાય છે કે ધી ન્યુ ગ્રેટ ઇસ્ટર્ન સ્પીનીંગ એન્ડ વીવીંગ કં૦ ના શેરોનું કોરનર પણ બીજી સીન્ડીકેટનાં કામકાજને લીધે થયું હતું.

૨૩. મી. શરાફ અને મી. જગજીવન ઉજમશીની જુબાની પણ લગભગ તેજ મતલબની છે. મી. ફીરોઝ જહાગીર, મી. ડી. ડી. કાંગા અને મી. આર. આર. નાબરની જુબાનીઓ પણ તેજ નિશ્ચયને ટેકો આપે છે. રાય સાહેબ સાંગીદાસ અને મફતલાલ ગગલભાઇની જુબાની આ બાબતમાં કંઇપણ શંકા રહેવા દેતી નથી.

જુબાની આપનારા બધા દલાલો પૈકી મી. ન. ન. ડુમસીઆએજ ૨૬મી કલમ કાઢી નાખવાની ભલામણ કરી હતી. મી. ડુમસીઆ વર્તમાનપત્ર લખવાનો ધંધો કરે છે. અને પોતાના ધનુષની બીજી દોરી તરીકેજ શેર બજારમાં કામકાજ કરે છે અને તેવણનાજ શબ્દમાં કહું તો તેજીવાળા શિવાય બીજી રીતે કામકાજ કરવું, અનીતિવાળું છે એમ તેવણ ધારે છે. એસોસીએશનના અગાઉના પ્રેસીડન્ટ મી. ફીકાભાઇ પ્રેમચંદનો એવો મત હતો કે સટ્ટાને અટકાવવા માટે સોનેરી ઉપાય 'લીંક તોડવી' એ છે. તે મત બહુમતીએ પણ પસંદ કર્યો નથી. જો તેવણની માનીતી ધૂન સ્વીકારવામાં ન આવે, તોપણ કોરનર થાય ત્યારે એસોસીએશન અને પ્રજાનું હિત સાચવવા માટે ૨૬મી કલમમાં જણાવેલી જેવી કાંઇક સતા એસોસીએશનની કમીટી પાસે ન હોવી જોઇએ, એવો તેમની જુબાનીનો અર્થ થાય છે એમ હું માનતો નથી.

૨૪. હું એવા ઠરાવ ઉપર આવ્યો છું કે જે કોરનરોના બનાવો હાલના વખતના સટ્ટાના દુષ્ટ રૂપ તરીકે વર્ણવામાં આવ્યા છે તે કોરનરો કોઇપણ રીતે સ્ટોક એકસચેંજના રીતરીવાજ કે પધ્ધતિને લીધે નથી. અંજાણ પ્રજાને ચુસવા માટેના મુડીવાળા શેર હોલ્ડરોના પ્રયત્નોમાંજ તે કોરનરોની ઉત્પત્તિ છે.

તોપણ હું ધારૂં છું કે વખતનો વિસ્તાર અને શેરોની સંખ્યા જોતાં આવા પ્રયત્નોને અમુક હદ હોય છે અને હું ભવિષ્ય જોઇ શકું છું કે વ્યાજબી રીતે ગણતાં, થોડા વખતમાં બજાર પોતાની અગાઉની સામાન્ય સ્થિતિ ધારણ કરશે. મુડીવાળાઓને તેમના પ્રયત્નોમાં આબાદીના સંજોગો મદદ આપતા હતા અને તે સંજોગો લગભગ નાબુદ થયા છે એ જાણીતી બીના છે. વળી એ યાદ રાખવું જોઇએ કે શેરોના સટ્ટા સાથેજ, હુંડી, રૂ, સોનાચાંદી અને બીજી ઘણી ચીજોમાં ભારે સટ્ટો મુંબઇના બજારમાં ઉપડયો હતો અને મને જણાય છે કે શેરોનો ભારે સટ્ટો તે વખત માટેની બજારની સામાન્ય સ્થિતિનો એક ભાગ છે. કાગળની તંગીને લીધે, જુના જાપાનીઝ ન્યુસપેપરો જેવી ચીજો પણ સટોડીઆઓએ પોતાના કામકાજમાં લીધી હતી એ એક જાણવા જેવી રમુજી બીના છે.

૨૫. મંદીવાળાઓનો હુમલો એ એક માત્ર સિધ્ધાંતનો વિષય છે. અને મુંબઇના બજારના સંજોગ જોતાં મંદીનો હુમલો કરવા માટે બસો કે ત્રણસો દલાલોએ સાથે મળીને કામ કરવું જોઇએ. જયારે તેજી સામાન્ય રીતે એક શખસ કે એક સીન્ડીકેટના હાથમાં હોય છે. અને તેથી તે હંમેશ અગાઉથી નકકી થયેલી, પદ્ધતિસર અને વધારે અસરકારક થાય તેવા સંભવવાળી હોય છે. મુંબઇના શેર બજારમાં, વાયદાના શેરો થોડી સંખ્યાના અને સાધારણ રીતે મોટી કીંમતના છે. એજન્ટો કે જે ઘણાખરા દાખલાઓમાં કંપનીઓના મૂળ ઉત્તેજકો (Promoters) હોય છે તે એજન્ટોવડે થતાં કંપનીના વહીવટની પધ્ધતિથી એવું પરિણામ આવ્યું છે કે સાધારણ રીતે એજન્ટોની પેઢી પાસે, કંપની ઉપર કાબુ ધરાવતો સ્વાર્થી હક રાખવા માટે શેરોની

પુરતી સંખ્યા હોય છે. સટ્ટાના પરિણામે અથવા એજન્સીનું કમીશન મેળવવાની આશાએ ચોકકસ કંપનીઓમાં, વ્યકિતઓ કે સીન્ડીકેટો પાસે પણ મોટી સંખ્યાના શેરો હોય છે. કોરનરો કેવી રીતે ઉભા થાય છે અથવા કોરનરો સામે શું કરવું જોઇએ તે પ્રશ્ન વિચારતી વખતે આ તત્ત્વની હયાતી ઘણી વખત ભુલી જવાય છે.

૨૬. સને ૧૯૨૧ ના માર્ચની પાંચમી તારીખે ૨૬, ૨૬ (ક) અને ૨૬, (ખ) કલમ તેના હાલના રૂપમાં એસોસીએશને પસાર કરી. તે નીચે મુજબ છે:—

૨૬. શેરોની ડીલીવરીના સંબંધમાં તેમજ ઉપાડવાનાં તથા વેચવાનાં લીલાંઉંમાં બોર્ડને કાંઇ પણ અસાધારણ જેવું જણાશે તો બોર્ડ તાત્કાલીક ઠરાવો સંજોગોને અનુસરીને કરશે તે પ્રમાણે સઘળા મેમ્બર ભાઇઓએ વર્તવું પડશે.

૨૬. (ક) કોઇ પણ વાયદાના શેરોમાં વેચાણો તથા લેણો હદબહારના એક અથવા વધુ માણસોની બનેલી સીન્ડીકેટ કરશે અને તેવા સંજોગોમાં બોર્ડને કોરનર અથવા તરકટ થવાનું અનુમાન થશે તો બોર્ડ વચમાં પડશે અને તે માટે બોર્ડને યોગ્ય લાગશે તેવો ભાવ આપશે.

૨૬. (ખ). બોર્ડ કોરનર ઠરાવે તેવે વખતે જરૂર પડે તો ઉપાડવાની અરજી શેરોના રૂપીઆ ભર્યા પછીજ આપવી.

૨૭. તે કલમ, તેના સિધ્ધાંત તરફ જોતાં, સને ૧૯૧૦ જેટલી જુની છે. અને મુંબઇના આ બજારમાં, અમુક શેરોના પહેલા કોરનર સામે થવાના હેતુથીજ પસાર કરવામાં આવી હતી.

૨૮. કમીટી આગળ જે જે વિચારો રજુ કરવામાં આવ્યા હતા તે ધ્યાનમાં લેતાં, હું એવા મત ઉપર આવ્યો છુ કે તે કલમ નીચે-મુજબ સુધારવી જોઇએ.—

(એ) જો એક વ્યકિત કે વ્યકિતઓની સીન્ડીકેટ (જે શેરો વાયદામાં મુકવામાં આવ્યા હોય) તે શેરોની, વ્યાજબી હદથી બહાર જઇને લેવેચ કરે અને તે શેરોમાં કે તેવી જાતના શેરોમાં કોરનર થવાનું છે અથવા તે શેરોમાં કે તેવી જાતના શેરોના સોદામાં કંઇ તરકટ છે એમ કમીટી ધારે તો તેવા સંજોગોમાં નવા વાયદા અને તે પછીના વાયદા માટે એવા શેરો કે એવી જાતના શેરોના વાયદાના સોદા સસ્પેન્ડ કરી શકે.

(બી) આવી રીતે સસ્પેન્ડ કરવાનું જાહેર કરવામાં આવે ત્યારે સદરહુ શેરો કે તેવી જાતના શેરોના, સસ્પેન્ડ કરવા અગાઉ થયેલા સર્વે સોદાના સંબંધમાં, ઉપાડવાનાં લીલાંઉંના ભાવ આપવાની કલમ પણ સસ્પેન્ડ કરવી જોઇશે. અને તે શેરો કે તેવી જાતના શેરોના સંબંધમાં કંઇ પણ ભાવ બાંધવાનો હક કમીટીને રહેશે નહીં.

(સી) સદરહુ કલમની રૂએ સોદા સસ્પેન્ડ કરનારો ઠરાવ પસાર કરવા માટે, જે મીટીંગમાં આવો ઠરાવ કરવામાં આવે તે મીટીંગમાં હાજર થયેલા શખસોની ¾ સંખ્યા બહુમતી ગણાશે અને આવી મીટીંગ માટેનું કોરમ ઓછામાં ઓછું તે વખતની કમીટીના કુલ મેમ્બરોની અર્ધી સંખ્યાનું બનશે. આવી રીતે થયેલો કમીટીનો ઠરાવ છેવટનો લેખાશે.

(ડી) આવી રીતે સસ્પેન્ડ કરવાનું જાહેર કરવામાં આવે ત્યારે યોગ્ય વખતે, પતાવટ અને કલીઅરીંગના કામકાજ માટે, હવાલાના ભાવ આપવાની કમીટીને સત્તા રહેશે. પણ આવા સોદાના સંબંધમાં, નુકશાની કે એવું બીજું જે કાંઇ હોય તે બાબતનાં પાર્ટીઓના હકો અને જોખમદારીઓને કોઇપણ રીતે આવા હવાલાના ભાવ નુકશાન પહોંચાડશે નહીં.

૨૯. એસોસીએશનનો કાર્ડ ધરાવનાર મી. ન. ન. ડુમસીઆની એવી જુબાની છે કે ૨૬મી કલમ કંટ્રાકટના છુટાપણાની વચમાં આવે છે તે કારણથી તે કલમ કાઢી નાંખવી જોઇએ. પહેલાં તો કોરનર જાહેર કર્યા અગાઉ થયેલા કામકાજોમાં હરકત કરવાની તે કલમની મતલબ નથી તે હકીકત મી. ડુમસીઆ જોઇ શકયા નથી. જે ચીજ પોતાની પાસે ન હોય અને તેટલા માટે જે ચીજ તે ડીલીવર ન કરી શકે તે ચીજ વેચવાનો કોઇને હક નથી એવી સુચના ૨૬મી કલમ કાઢી નાંખવાના વ્યાજબીપણાને ટેકો (કે જે જુદા જુદા સાક્ષીઓને કમીટીના બીજા મેમ્બરોએ પૂછેલા પશ્નો ઉપરથી જણાશે) આપે છે એવું સમજાવવાનો પ્રયત્ન કરવામાં આવ્યો છે. કાગળઉપર તો, તે એક ઉત્તમ સિધ્ધાંત કહેવાય પણ જયારે તેનો શેર બજાર ઉપર ઉપયોગ કરવામાં આવે ત્યારે તે પોતાની સાથેજ પોતાનું અસંભવિતપણું લાવે છે. કારણ કે ખરા રજીસ્ટર્ડ શેર હોલ્ડરો હોય તેવાજ વેચનારાઓ કે તેમના દલાલો, પોતાની પાસે જેટલા શેર હોય તેટલી હદ સુધીજ, કોઇપણ શેર બજારમાં સોદા કરે છે એવી સુચના કરવી અશકય છે. ઉલટું, કમીટી-

ની બહુમતીના અભિપ્રાય મુજબ, ઔદ્યોગિક સાહસોના ઉત્તેજનમાં અને ખીલવણીમાં સટ્ટો એક જરૂરી અને ઉપયોગી તત્ત્વ છે અને સટ્ટો શેર બજારનું જીવન છે.

૩૦. મને જણાય છે કે જે શબ્દોમાં મેં ભલામણ કરી છે તે શબ્દોવાળી કલમ જે જે મુશ્કેલીઓ સુચવવામાં આવેલી છે તે બધી મુશ્કેલીઓનું વ્યાજબી નિરાકરણ કરે છે. અને કમીટીની બહુમતીએ પણ આ કલમ એક તબકકે પસંદ કરી હતી એવું જણાયું હતું. છતાં, હું જોઉં છું કે તેઓનો છેવટનો ઠરાવ સદરહુ કલમ રદ કરવા માટેની એક ભલામણરૂપે છે.

૩૧. મને એમ પણ જણાય છે કે સદરહુ કલમની હયાતીને ટેકો મળી શકે તેવી એક બીજી દલીલ સિદ્ધાંત રૂપે છે. જો કે કોઇપણ જાતના સ્ટોક કે શેરનાં ભાવોના વ્યાજબીપણાની ખાત્રી આપવા માટે સ્ટોક એકસચેંજ બંધાયેલી નથી; તોપણ મારો મત છે કે દરેક સ્ટોક એકસચેંજમાં નીચેના સિદ્ધાંતો માન્ય હોવા જોઇએ:—

(૧) વેચાવા આવવાના સમયે, સ્ટોક એકસચેંજનો કોઇપણ મેમ્બર જે સારામાં સારો ભાવ આપવા ખુશી હોય તેવા ભાવે વેચાવા આવેલી કોઈપણ સીકયુરીટી વેચાવી જોઇએ અને ઉલટી રીતે, ઓછામાં ઓછા જે ભાવે વેચવા કોઇપણ ખુશી હોય તેવા ભાવે સીકયુરીટીઓના કોઇપણ ખરીદનારે તે સીકયુરીટીઓ મેળવવી જોઇએ.

(૨) દરેક સોદો ખરીદી અને વેચાણ બતાવશે. તે સોદો જલ્દી જાહેરમાં મુકીને અને સામી બાજુના દલાલનું નામ બન્ને પક્ષોએ પ્રીન્સીપલોને (ઘરાકોને) આપીને આ બીના સ્પષ્ટ કરાવવી જોઇએ.

(૩) દરેક સોદાના બંને પક્ષકારો પોતાના સદરહુ સોદા માટે જુમ્મેદાર અને પતાવી શકે તેવા હોવા જોઇએ. આ બાબતના સંબંધમાં જે ક્ષણે લગાર પણ શંકા થાય તે ક્ષણે, સદરહુ એકસચેંજની સવડતાઓ તરતજ આપાવી બંધ થવી જોઇએ.

૩૨. ધી ન્યુ યોર્ક સ્ટોક એકસચેંજના સને ૧૯૨૧–૨૨ના પ્રેસીડન્ટ મી. ક્રોમવેલ પોતાના વાર્ષિક ભાષણમાં બીજી બાબતો સાથે નીચે મુજબ કહે છે કે :—

“જે સીકયુરીટી એકજ સ્વાર્થના કાબુમાં હોય તે સીકયુરીના સોદા સસ્પેન્ડ કરવાના કે તેને લીસ્ટમાંથી કાઢી નાખવાના તાત્કાલીક પેગલાં લેવાની ગવર્નરોની સત્તાની અગત્યતાનું સારૂં દૃષ્ટાંત સ્ટટ્ઝ બનાવ પુરો પાડે છે. જેમ તે સ્ટટ્ઝ કેસમાં બન્યું તેમ જ્યારે ભાવ અકુદરતી હોય છે, ત્યારે સ્ટોક એકસચેંજના ભાવો એક જુઠાણાને વિસ્તારપૂર્વક જાહેરાત આપે છે. સ્ટટ્ઝ સ્ટોકનો ભાવ દર શેરે ચારસે પાંચસે ડોલરનો છે એમ નાણું રોકનારી પ્રજાનો સર્વમાન્ય મત છે ત્યારે સ્વતંત્ર અને ખુલ્લા બજારમાં નોંધાયેલા નિર્ણયો મુજબ તેનો ખરો ભાવ દરશેરે સો ડોલરથી ઓછો છે આ પ્રકારનું તે જુઠાણું છે. જો સત્તાધીકારીઓની રીતભાતોથી, સ્ટોક એકસચેંજના કામકાજમાં વિઘ્ન નંખાયું હોત તો, તે જુઠાણું અચોકકસ વખત સુધી ચાલ્યા કર્યું હોત.”

૩૩. જ્યારે બજાર ભાવ અટકયા વગર અમુક બળથી વધારવામાં આવે છે ત્યારે નાના નાના ખરા ઇન્વેસ્ટરો બજારના અંદરના જ્ઞાન વગર, માનવાને દોરાય છે કે ઉંચા ભાવ વ્યાજબી છે અને તેનું પરીણામ એ આવે છે કે તેઓ નાના નાના સોદા કરવા મંડી જાય છે કે જે સોદાઓથી, અગાઉથી શરૂ થયેલા સટ્ટાને ઘણું પોષણ મળે છે. આવી રીતે બનવું એ કંઇ અસાધારણ બાબત નથી. પણ જ્યારે નિષ્ફળતાથી અથવા તો તેજીવાળાના કહેવાથી કરવામાં આવેલી ફતેહમંદ પતાવટથી કોરનરનો અંત આવે છે ત્યારે ઇન્વેસ્ટરોએ તે માટે જે ભાવ આપ્યો હોય તેના કરતાં ઘણો ઓછો એવો–પહેલાંના જેવો–સામાન્ય ભાવ તે શેરોનો થઇ જાય છે. બજારના સંજોગોથી, આવી જાતના નાના ઈન્વેસ્ટરો હંમેશ છેતરાય છે અને સદરહુ ૨૬મી કલમથી આવા નાના ઇન્વેસ્ટરોને રક્ષણ મળશે. તેટલા માટે આ કલમ નાણું રોકનારી પ્રજાના હિતની સામે નથી અને તેઓને તે કલમ થોડુંઘણું રક્ષણ આપે છે. આવી રીતે વિચાર કરવાનાં કાર્યને ખોટા ખ્યાલ લઇ રહીને કરવામાં આવેલી નૈતિક વિચારણા તરીકે સદરહુ રીપોર્ટમાં વર્ણવામાં આવેલું છે. અને કોરનરો માટેનો ઇલાજ ૨૬મી કલમ કાઢી નાખવી તે છે એવા મતની હું તદ્દન વિરૂદ્ધ છું.

૩૪. મારે વધુ ઉમેરવું જોઇએ કે જે નોનબ્રોકર સાક્ષીઓએ સાક્ષી આપી છે તે પૈકી, ધી બેંક ઓફ ઇન્ડીઆ ના મેનેજર મી. ગ્રે, મીલ ઉદ્યોગ સાથે ગાઢ સંબંધથી જોડાયેલા એક

જાહેર માણસ બી. મનમોહનદાસ રામજી, મી૦ મફતલાલ ગગલભાઇ અને રાય સાહેબ ચાંગીદાસ જેસીરામ—એ બધા એવા મતના છે કે તે કલમ સિદ્ધાંત તરીકે ખરી છે અને તેવી કલમ ચાલુ રાખવીજ જોઇએ. મી૦ એફ. સી. એન્સલી (ધી બોમ્બે ચેમ્બર ઓફ કોમર્સનો એક પ્રતિનિધિ) કમીટીને રજુ કરવામાં આવેલી પોતાની લેખીત જુબાનીમાં નીચે મુજબ લખે છે:—

“હું ધારૂં છું કે તદ્દન રોકડાના સોદા કરી નાખવાનું બની શકશે નહીં. વ્યાજબી રીતે કરવામાં આવતા વાયદાના સોદામાં કંઇપણ વાંધા ભરેલું નથી.

જ્યારે એસોસીએશનને જણાય કે અમુક સ્ટોકના સોદામાં અસાધારણ પ્રમાણ આવતું જાય છે ત્યારે થોડી મુદત માટે તેના વધુ સોદા બંધ કરવાની અને તે તે પારટીઓ પાસેથી ખુલાસાઓ માંગવાની (એસોસીએશનની) કમીટી પાસે સત્તા હોવી જોઇએ પણ તેઓએ શા માટે ભાવ બાંધવા તે હું સમજી શકતો નથી”

મી૦ ઇ. એફ. ગ્રુમરીજે પોતાની જુબાનીમાં કહ્યું હતું કે થોડી મુડીવાળાઓના હાંથમાં ઘણો માલ હોવાને લીધે કોરનરો થાય છે અને તેવણ ૨૬ મી કલમમાં સમાયેલી સત્તાના જેવી સત્તાના અસ્તિત્વની તરફેણમાં છે.

મી૦ એફ. ઇ. સ્ટાઇલમેન (બોમ્બે મીલ ઓનર્સ એસોસીએશનનો પ્રતિનિધિ) ધારે છે કે કોરનરો જાહેર કરવાની સત્તા એસોસીએશનના કાયદામાં રહેવી જોઇએ પણ તેનો અમલ કરવાનું કામ એક સ્વતંત્ર કમીટીને સોંપવું જોઇએ.

૩૫. સૌથી ઉપલી કમીટી અને એસોસીએશન ઉપર બહારના બીજી જાતના અંકુશો મુકવા સંબંધીની જુબાનીમાં જે કેટલીક દરખાસ્તો અમને કરવામાં આવી હતી તે બધી દરખાસ્તો ઉપર ચર્ચા કરવાનું મેં જરૂરી ધાર્યું નથી. કારણ કે તેમાંની દરેકે દરેક દરખાસ્ત બહુમતીએ પણ નામંજુર કરી છે.

૩૬. તે કલમ સામે જે માત્ર બીજો વાંધો કાઢવામાં આવે છે તે એ છે કે તે કલમના ઉપયોગમાં, એમ માનવાને કારણ છે કે સ્વાર્થી વગવસીલો પોતાનું કામ કરી શકે. મારા અભિપ્રાય મુજબ, તે કલમ કાઢી નાંખવા માટે તે કંઇ દલીલ નથી. અમારી પાસે જે જુબાની પડી છે તે એટલુંજ બતાવે છે કે આ કલમનો સ્વાર્થી કોઇપણ ઉપયોગ થયો નથી, પણ તે કલમનો ઉપયોગ અટકાવવા માટે સીંડીકેટ તરફથી પ્રયત્ન કરવામાં આવ્યો છે. જ્યાં પોતાનો સ્વાર્થ જે ક્ષણે હોય ત્યાંજ મત આપનારા, કંઇ પણ ધોરણ વિનાના અજ્ઞાન માણસોના ટોળાં તરીકે, એસોસીએશનને ધીક્કારવા માટે કંઇ પણ પાયો નથી એમ હું ધારૂં છું. એસોસીએશનના મેમ્બરોની મોટી સંખ્યા અંગ્રેજી ભાષા સાથેના પરિચય વિનાની હોય પણ હું જાણું છું કે તેઓ પોતાના ધંધા માટે પુરતી કેળવણીવાળા અને હુંશીઆરી અને પ્રમાણિક પ્રેરણાવાળા માણસો છે. અને શેર બજારમાં ચાલતી વેપારી નીતિ મુંબઇમાં બીજા કોઇ પણ ધંધાની વેપારી નીતિ કરતાં કોઇ પણ રીતે ઉતરતી છે એવી માન્યતા કે સુચના ઉપર રચાયેલી ધમકી કે ભલામણને ટેકો આપવા હું છેલ્લામાં છેલ્લો માણસ રહીશ.

૩૭. કોરનર શું છે ? તે કેમ થાય છે ? અને તેની સાથે કેવી રીતે કામ લેવું જોઇએ ? એ બાબેના જાણીતા અર્થશાસ્ત્રીઓના અભિપ્રાયો તરફ લક્ષ ખેંચવાનું પણ હું પસંદ કરૂં છું. ન્યુયોર્ક સંસ્થાનના ચેમ્બર ઓફ કોમર્સના મરહુમ સેક્રેટરી કોરનરની વ્યાખ્યા નીચે મુજબ આપે છે:—

“કોરનર એટલે કોઇપણ સ્ટોકની અમુક સ્થિતિ કે જેમાં, એક કામ કરનાર (operator) શખશે કે કામકરનાર શખસોની ટોળીએજ (સ્ટોકના) આવકનાં સાધન પકડી રાખ્યા હોય અને જેમાં તેવા શખસ કે ટોળી પાસેથીજ જે માલ તેઓ મેળવી શકે તેવો માલ લેવા શખસ કે તેવી ટોળીનેજ ડીલીવર કરવાના ઘણાઓએ કંટ્રાક્ટ કીધા હોય,”

બધા કોરનરોના નીચે મુજબ બે વિભાગ પડી શકે છે:—(૧) અમુક અસાધારણ ભાવેજ પતાવટ કરવાની, ખોટાવેચાણ કરનારાઓને ફરજ પાડીને તેઓનું ધન છીનવી લેવાના હેતુથીજ જાણી જોઇને ઉભા કરવામાં આવ્યા હોય તે (૨) અંકુશની સત્તા માટે લડવું કે એના જેવા કેટલાક માફ કરવા લાયક સંજોગો તળે જે ઉત્પન્ન થયેલા હોય અને ધન નીચોવી લેવાના હેતુથી જાણી જોઇને ઉભા કરવામાં આવ્યા ન હોય તેવા કોરનરો. જો કે પહેલી જાતના કોરનરો, કરતાં

બીજી જાતના કોરનરો માફ કરવા જેવા છે છતાં નાશકારક પરીણામો તો બંનેમાં સરખાજ છે. ' અલબત બજારમાં મંદીનું હિત હોવાના કારણેજ કોરનરો થાય છે. ખરૂં જોઇએ તો 'કોરનર' એ શબ્દ મંદીવાળાઓને સપડાવવું—ખુણામાં—કોરનરમાં ધસડી જવું એ વધારે અર્થસુચક વાકયનું ટુંકુ રૂપ છે." જે એક શખસ કે શખસોની ટોળી ઉભા રહેલા ખોટા વેચાણને લીધે ડીલીવરીના કામકાજ માટે મળી શકતા અમુક શેરના બધા શેરો કે લગભગ બધા શેરોનો કબજો મેળવવા ફતેહમંદ થાય તે શખસ કે શખસોની ટોળી વડે આવી સ્થિતિ ઉભી થાય છે,

"દેખીતી રીતે કોઇપણ વ્યાજબી કારણ વીનાના ઘણા ઉંચા ભાવો વડે કે એવી બીજી રીતે એવા ખોટા વેચાણો મોટા પ્રમાણમાં કરવા લલચાવામાં આવે છે. ખોટા વેચાણો મોટા પ્રમાણમાં કરાવવાનો હેતુ એ હોય છે કે જેવી તે વેચાણો પતાવવા જતાં ડીલીવરીનું કાર્ય અશકય થઇ પડે, કારણ કે કોરનર કરનાર શખસના કબજામાં બધો માલ છે અને પોતાનો મનમાનતો ભાવ લીધા શીવાય તે માલ વેચવાની તે ના પાડે છે. આ પ્રમાણે ધારો કે અમુક સ્ટોકના બધા મળીને બે લાખ શેરો છે. અને આ દાખલામાં કોરનર કરનાર શખસ પાસે આ બધા શેરો હોય અને તે સાથેજ તેણે ખોટા વેચાણ કરનારાઓ પાસેથી બીજા એક લાખ શેર લીધા હોય તે દરમ્યાન, જયારે ભોળી જાહેર પ્રજા તરફથી ખોટા વેચાણો થાય એવા પ્રકારની લાલચો ઉભી કરવામાં આવે છે ત્યારે ખરી સ્થિતિ તદ્દન ગુપ્ત રાખવામાં આવે છે. ડીલીવરી કરવાના કામ માટે સ્ટોક ઉછીનો લેવા (બદલો કરવા) કે ખરીદવા સારૂ એક ચાલુ બજાર ઉપર ખોટા વેચાણવાળાઓ અલબત આધાર રાખે છે. તેટલા માટે તે સ્થિતિને ટકાવી રાખવાનો દેખાવ કરવા માટે છુટથી અને સાધારણ સરતોએ કોરનરનો ઓપરેટર પોતાનો માલ હંમેશ માફક ધીરતો રહેશે (બદલો કરશે). લેવેચના સરખે સરખા ઓરડરો આપીને ઓપરેટર, પોતેજ ખરીદનાર અને વેચનાર હોવાથી, તે સ્ટોક માટેનો બજાર ભાવ ચાલુજ છે એવીજ છાપ તે ઓપરેટર પાડશે.

જયારે પોતાનો દુષ્ટ હેતુ પાર પાડવાનો વખત આવી પહોંચે છે ત્યારે ખોટા વેચાણ કરનારાઓને જે માલ ઓપરેટરે ધીર્યો હોય છે તે સઘળો માલ તે ઓપરેટર પાછો માંગશે. વળી બીજો કંઇપણ માલ ખરીદી શકાતો નથી, કારણ કે ઓપરેટર પાસેજ બધો માલ હોય છે અને તે વેચવા આવતો નથી. બીજા શબ્દોમાં કહીએ તો, ખોટા વેચાણવાળાઓએ કરેલા કંટ્રાકટોથી જોઇતો સઘળો માલ ઓપરેટર પાસે હોય છે એટલે કે ખોટા વેચાણવાળાઓ કોરનરમાં ફસાય છે" કોરનરના દુ:ખથી છુટા થવાનો ઉપાય વધુ સોદા સસ્પેન્ડ કરવા તે છે. અને ન્યુ યોર્ક સ્ટોક એકસચેંજના અર્થશાસ્ત્રી મી. મીકરનો પુખ્ત અભિપ્રાય એ છે કે "બજારમાં કોરનર થવાથી, જયારે સીકયુરીટી માટેનું સ્વતંત્ર અને ખુલ્લું બજાર નાશ પામે છે ત્યારે એટલું ખાસ જરૂરી છે કે જાહેર પ્રજાના વેપારના રક્ષણ અર્થે, તરતજ એકસચેંજમાં તેના સોદા બંધ થવા જોઇએ." "આવા દરેક દાખલામાં, એટલે કે કોરનર વખતે, સ્ટોક એકસચેંજનું હિત અને જાહેર પ્રજાનું હિત બંને એક છે અને તે એ છે કે એકસચેંજમાં સીકયુરીટીનું બજાર ચાલુ રહેવું જોઇએ અને તે હંમેશ સ્વતંત્ર અને ખુલ્લું રહેવું જોઇએ."

૩૮. કલમ નં. ૨૬માં જે રીતે મેં ઘડી આપી છે તે રીતે કોરનર જાહેર થવા પહેલાનાં સોદાને કંઇપણ તે અસર કરતી નથી અને જો પતાવટ કરવામાં ન આવે તો કોર્ટ જે વ્યાજબી નુકશાની ભરી આપવાનું ઠરાવે તે નુકશાનીની માંગણી કરવા માટે તેજીવાળાને છુટો રાખે છે અને વાયદાના સોદા બંધ કરવાથી, વધુ મુશ્કેલી થતી અટકી જાય છે. હાલ જે રીતે કલમ છે તેની રૂએ, મી. મફતલાલની જુબાની ઉપરથી જણાય છે કે ભાવ બંધાયા પછી, મંદીવાળાઓ કંઇપણ વેચાણ કરતા નથી. મારે આ ખાસ લખવું પડે; છે કારણ કે હાલની કલમની રૂએ તેજીના કોરનર વખતે જયારે વધુમાં વધુ ભાવ બાંધવામાં આવતા ત્યારે, તે બીનાજ મુશ્કેલીનો ભય બતાવે છે.

૩૯. રીપોર્ટના છેવટના ભાગમાં લખવામાં આવ્યું છે કે બહુમતી સરકારને ભાર મુકીને કહેવા માગે છે કે કોરનર સંબંધી એસોસીએશનની નીતિરીતિ અને રીવાજમાં જરૂરી સુધારો કરવાની હાલ આપવામાં આવેલી તકનો લાભ લેવાનું જો એસોસીએશનના મેમ્બરો ગુમાવી દેશે તો મુંબઇ શહેરમાં શેર અને સ્ટોકના સઘળા વાયદાના સોદા કાયદો કરીને અટકાવવાની જરૂર છે. કોઇને પણ રીપોર્ટમાંથી જણાશે કે ૧૮ મી ભલામણમાં એક ફેરફાર ટુંકામાં વર્ણવામાં આવ્યો છે અને તે એ છે કે કલમ ૨૬, ૨૬ (ક) અને ૨૬ (ખ) કાઢી નાંખવી. મને જણાય છે કે વાયદાના સોદા બંધ કરવાની ધમકી એવી માન્યતાનો આશ્રય લે છે કે એસોસીએશનના

મેમ્બરો સદરહુ ૨૬મી કલમ રદ કરવાનું કબુલ કરશેજ (પછી તે રદ કરવું વ્યાજબી હોય કે ગેર વ્યાજબી); નહીં તો, વાયદાનો ધંધો બંધ કરવાથી તેઓનો વેપાર ભાંગી પડશે એમ ધારવામાં આવ્યું છે. આ પાયા વીનાની માન્યતા છે. કારણ કે કેટલાક દલાલ સાક્ષીઓએ કહ્યું છે કે ૨૬મી કલમ જેવી કલમ વગર સ્ટોક એકસચેંજમાં ધંધો કરવો તેના કરતાં તેઓ વાયદાના સોદા નહીં કરે તે વધારે સારૂં છે.

૪૦. મેં જે કારણો ઉપર દર્શાવ્યા છે તેને લીધે, હું એવા મતનો છું કે સદરહુ કલમ ઉડાવી દેવી તે બીન જરૂરી છે એટલુંજ નહીં પણ તે કલમ રદ કરવાથી મુશ્કેલી અને માઠાં પરિણામ ચોકકસ નીપજશે અને મારા રીપોર્ટના ૨૭ મા પેરેગ્રાફમાં જણાવેલી કલમજ શેર બજારમાં સ્વાર્થી મુડીવાળાઓ જે હુમલાઓ કરે તે સામે એકજ સાચું હથીઆર છે. અમારી આગળ નોંધાયેલી જુબાનીથી પુરવાર થયું છે કે (અને તેથી ઉલટી જુબાની એકે નથી), એસોસીએશનના મેમ્બરો કે તેઓના ઘરાકોને નીચોવવાનો પ્રયત્ન કરતા સ્વાર્થી મુડીવાળાઓને લીધેજ સંપૂર્ણ રીતે બધા કોરનરો નહીં તો તેનો મોટો ભાગ હાલના વખતમાં ઉભો થયો છે. બહુમતીની બાકીની ઓગણીસ ભલામણોને સારાં નસીબે ઉપર લખેલી મંજુરી લાગુ પાડવામાં આવી નથી. અને ખરેખર જ્યારે તે ભલામણો વાંચવામાં આવે છે ત્યારે તે ભલામણો મુજબ નહીં વર્તવા માટે ધારાસભા વચમાં પડે તે લગાર પણ વ્યાજબી ગણાશે એમ ધારવું હસવા લાયક છે.

૪૧. હું એમ પણ કહેવાને ઇચ્છું છું કે શેર અને સ્ટોક બ્રોકરોના જેવા ધંધાઓમાં સરકાર વચમાં પડે તે સિદ્ધાંત તરીકે અયોગ્ય ન હોય તો, અનિચ્છવા જોગ તો છેજ. હિંદુસ્તાનની અને ખાસ કરીને મુંબઇની આર્થિક સ્થિતિનું ઉંડું જ્ઞાન ધરાવવા માટે મોટી શહેરી કીર્તિવાળા સર ડી. ઈ. વાચ્છા જેવા ગૃહસ્થે પણ કમીટી આગળ આવો મત ભાર દઇને જણાવ્યો હતો. સંપુર્ણ ટીકા અને વ્યાજબી ભલામણ પછી, આ બાબતનો જાહેર મતની માંગણીઓ વડે નીવેડો આવે તેમ થવા દેવું જોઇએ. હું માનું છું કે એસોસીએશનના મેમ્બરો સમજે છે કે "કેળવાયેલી જાહેર પ્રજા તરફની પોતાની ફરજોના, બની શકે તેટલાં ઉંચામાં ઉંચા ધોરણ મુજબ જયાંસુધી સ્ટોક એકસચેંજ વર્તશે નહીં ત્યાંસુધી જે જે જાહેર પ્રજાની માંગણીઓ તેની પાસેથી કરવામાં આવે તે માંગણીઓનો તે સારો જવાબ આપી શકશે નહીં અને સ્ટોક એકસચેંજ કદી જય પામશે નહીં."

મારે અત્રે એટલું ઉમેરવું જોઇએ કે સર જહોન બર્નાર્ડ એકટ તરીકે જાણીતા કાયદાની નિષ્ફળતા અને તેનું છેવટનું રદ કરવું—એ બનાવો ઉપરથી મળતા ધડાનો લાભ લેવામાં કમીટીની બહુમતી નીષ્ફળ નીવડી છે.

૪૨. ઉપલા કારણોને લીધે હું માનપૂર્વક ભલામણ કરૂં છું કે;—

(૧). એસોસીએશનના મેમ્બરો સામેની જાહેર પ્રજાની ફરીયાદોની આ રીપોર્ટના ૧૦ અને ૧૧મા પેરેગ્રાફમાં જણાવેલી રીતે તપાસ લેવી જોઇએ.

(૨). આ રીપોર્ટના ૧૯મા પેરેગ્રાફમાં જણાવેલા અંકુશો સાથે સબ-બ્રોકરો રાખવાની પરવાનગી આપવી જોઇએ.

(૩) ૨૬, ૨૬ (ક) અને ૨૬ (ખ) કલમ ને બદલે આ રીપોર્ટના ૨૭મા પેરેગ્રાફમાં જણાવેલી કલમ મુકવી જોઇએ.

(૪) મુંબઇના સ્ટોક એકસચેંજનો ધંધો નિયમસર કરવા માટે કાયદાની જરૂરીઆત, યોગ્યતા કે ઉપયોગીતા માટે હાલ કોઈપણ જાતની સ્થિતિ છે એમ પુરવાર કરવામાં આવ્યું નથી.

આ તપાસમાં એસોસીએશને જે વ્યાજબી વલણ લીધી છે તે જોતાં મને ખાત્રી છે કે આ રીપોર્ટમાં મેં કરેલી ભલામણો અને દર્શાવેલા વિચારો બનતી તાકીદે એસોસીએશન અમલમાં મુકશે.

આ તપાસ દરમ્યાન ઉપજતા કેટલાક ઘણા અગત્યના મુદ્દાઓ બાબે મારી સાથેના મેમ્બરોની બહુમતીના ઠરાવો સાથે હું મળતો થઇ શકયો નથી તે એક મારે માટે ખરેખર ખેદજનક બીના છે. છતાં કમીટીના લઘુમતી રીપોર્ટ તરીકે મારો જુદો રીપોર્ટ કરીને મેં મારી ફરજ બજાવી છે એટલો મને સંતોષ છે.

૨૮ મી જાનેવારી, ૧૯૨૪.

(સહી) ભુલાભાઇ જે. દેસાઇ.

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